

Town of Cofield

FINANCIAL REPORT

June 30, 2020



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Town of Cofield
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June 30, 2020

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Carr, Riggs & Ingram, LLC
3105 Trent Road
New Bern, NC 28562

Mailing Address:
PO Box 1547
New Bern, NC 28563

252.633.5821
252.633.0199 (fax)
CRLcpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 49 and 50, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

New Bern, North Carolina
May 19, 2021

Town of Cofield Management Discussion and Analysis

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

Financial Highlights

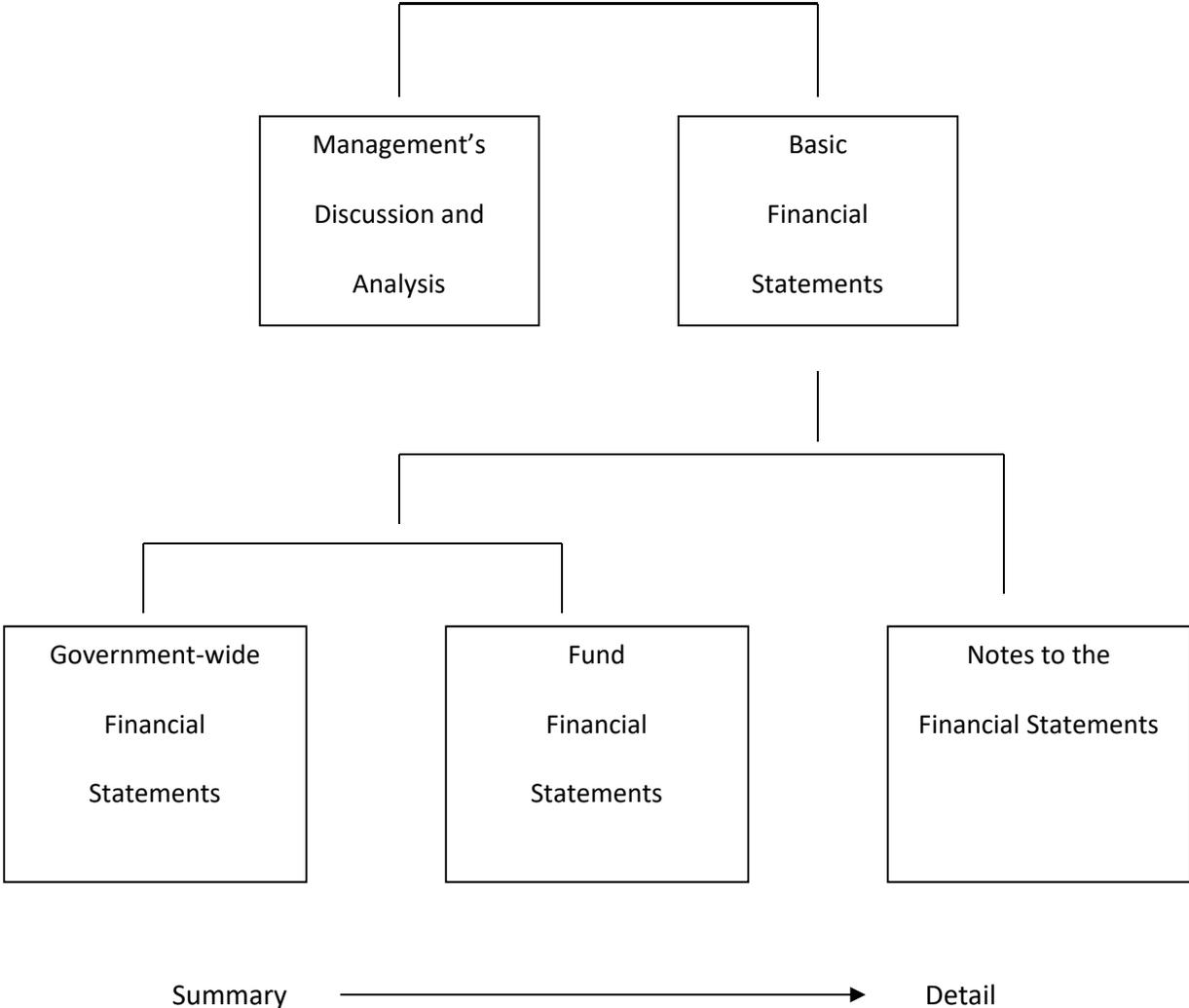
- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$3,993,219 (net position).
- The government’s total net position decreased by \$76,672, primarily due to decreases in governmental activities net position.
- As of the close of the current fiscal year, the Town’s governmental funds reported an ending fund balance of \$1,258,657, a decrease of \$81,480 in comparison with the prior year. Approximately 24.54% percent of this total amount, or \$308,854, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$739,353 or 202.87% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town’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.

**Town of Cofield
Management Discussion and Analysis**

Required Components of Annual Financial Report



Basic Financial Statements

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

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

Town of Cofield Management Discussion and Analysis

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, the **required supplemental information** provides information about participation in the Local Government Employee Retirement system and **supplemental information** is provided to show details about the Town's individual funds and tax related information. Budgetary information required by the General Statutes can also 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, parks 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.

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

Fund Financial Statements

The fund financial statements (*see Figure 1*) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 of the Town's budget ordinance. All of the funds of Town can be divided into two categories: governmental funds and proprietary funds.

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

Town of Cofield Management Discussion and Analysis

governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The Town has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

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

Town of Cofield Management Discussion and Analysis

Town of Cofield's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,279,418	\$ 1,369,414	\$ 380,370	\$ 335,645	\$ 1,659,788	\$ 1,705,059
Capital assets	953,369	986,964	2,019,542	2,052,245	2,972,911	3,039,209
Deferred outflows of resources	31,537	17,950	-	-	31,537	17,950
Total assets and deferred outflows of resources	2,264,324	2,374,328	2,399,912	2,387,890	4,664,236	4,762,218
Long term liabilities outstanding	29,347	8,540	609,500	627,000	638,847	635,540
Current and other liabilities	7,761	14,399	24,409	42,344	32,170	56,743
Deferred inflows of resources	-	44	-	-	-	44
Total liabilities and deferred inflows of resources	37,108	22,983	633,909	669,344	671,017	692,327
Net position:						
Net investment in capital assets	953,369	986,964	1,392,542	1,408,245	2,345,911	2,395,209
Restricted	308,854	235,945	-	-	308,854	235,945
Unrestricted	964,993	1,128,436	373,461	310,301	1,338,454	1,438,737
Total net position	\$ 2,227,216	\$ 2,351,345	\$ 1,766,003	\$ 1,718,546	\$ 3,993,219	\$ 4,069,891

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$3,993,219 as of June 30, 2020. The Town's net position decreased by \$76,672 for the fiscal year ended June 30, 2020. However, the largest portion (58.75%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$308,854 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,338,454 is unrestricted.

Town of Cofield Management Discussion and Analysis

Town of Cofield's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 32,404	\$ 31,228	\$ 262,284	\$ 254,286	\$ 294,688	\$ 285,514
Operating grants and contributions	10,427	13,055	-	-	10,427	13,055
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	103,194	154,176	-	-	103,194	154,176
Other taxes	130,731	130,202	-	-	130,731	130,202
Other	5,277	10,804	-	72,413	5,277	83,217
Total revenues	282,033	339,465	262,284	326,699	544,317	666,164
Expenses:						
General government	267,761	224,201	-	-	267,761	224,201
Public safety	11,258	9,547	-	-	11,258	9,547
Transportation	71,820	47,964	-	-	71,820	47,964
Environmental protection	20,924	39,558	-	-	20,924	39,558
Cultural and recreational	34,399	32,914	-	-	34,399	32,914
Interest	-	-	18,815	-	18,815	-
Water & sewer	-	-	196,012	243,368	196,012	243,368
Total expenses	406,162	354,184	214,827	243,368	620,989	597,552
Increase in net position						
before transfers	(124,129)	(14,719)	47,457	83,331	(76,672)	68,612
Transfers						
	-	6,163	-	(6,163)	-	-
Increase in net position	(124,129)	(8,556)	47,457	77,168	(76,672)	68,612
Net position, July 1	2,351,345	2,359,901	1,718,546	1,641,378	4,069,891	4,001,279
Net position, June 30	\$ 2,227,216	\$ 2,351,345	\$ 1,766,003	\$ 1,718,546	\$ 3,993,219	\$ 4,069,891

Governmental Activities: Governmental activities decreased the Town's net position by \$124,129.

Business-type Activities: Business-type activities increased the Town's net position by \$47,457.

Town of Cofield Management Discussion and Analysis

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$739,353, while total fund balance reached \$1,258,657. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 260.62% of total General Fund expenditures, and total fund balance represents 345.36% of the same amount.

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

Expenditures were less than budgeted amounts primarily because the Town used fiscal constraint to stay within budget. Revenues were slightly under budget due to lower than expected property taxes and miscellaneous income.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$373,461. The total increase in net position was \$47,457. Primarily due to consumption increases and efficiencies gained in billing.

Capital Assets. As of June 30, 2020, the Town's investment in capital assets for its governmental and business-type activities totals \$2,972,911. These assets included buildings, infrastructure, land, machinery and equipment.

Town of Cofield Management Discussion and Analysis

Town of Cofield's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 336,116	\$ 336,116	\$ 8,050	\$ 8,050	\$ 344,166	\$ 344,166
Construction in progress	-	-	60,862	-	60,862	-
Buildings & systems	497,478	516,601	1,950,630	2,044,195	2,448,108	2,560,796
Improvements other than buildings	30,461	33,801	-	-	30,461	33,801
Machinery & equipment	89,314	100,446	-	-	89,314	100,446
Total	\$ 953,369	\$ 986,964	\$ 2,019,542	\$ 2,052,245	\$ 2,972,911	\$ 3,039,209

Additional information on the Town's capital assets can be found in Note 3 of the basic financial statements.

Long-term Debt. As of June 30, 2020, the Town had total debt outstanding of \$627,000. Of this, \$121,000 is debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents bonds secured solely by specified revenue sources (e.g. revenue bonds).

	Business-type Activities	
	2020	2019
General obligation	\$ 121,000	\$ 128,000
Revenue bond	506,000	516,000
Total	\$ 627,000	\$ 644,000

The Town's total debt decreased by \$17,000 during the past fiscal year, due to principal payments made on outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Cofield is \$1,762,323.

Additional information on the Town's long-term debt can be found in Note 3 of the basic financial statements.

Town of Cofield Management Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Cofield currently does not have any major industry.
- The Town of Cofield has a population of 390 citizens, most of which work within education and health care industries.
- The majority of retired citizens receive their sole income through social security benefits.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The Town's ad valorem rate will remain stable for the fiscal year ending June 30, 2021.

Budget expenditures in the General Fund are expected to decrease by approximately 6%.

Business – type Activities: Water and sewer revenues are expected to increase approximately 12% due to the installation of new meters and payment options. Expenses are expected to increase by 7% due to planned system improvements.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Cofield, Post Office Box 99, Cofield, NC 27922. One may also call (252)358-8611.

Town of Cofield
Statement of Net Position
June 30, 2020
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 922,269	\$ 422,084	\$ 1,344,353
Investments	33,293	-	33,293
Taxes receivable (net)	13,945	-	13,945
Accounts receivable (net)	19,984	22,340	42,324
Internal balances	65,604	(65,604)	-
Restricted cash and cash equivalents	224,323	1,550	225,873
Total current assets	1,279,418	380,370	1,659,788
Non-current assets:			
Capital assets:			
Land and non-depreciable assets	336,116	68,912	405,028
Other capital assets, net of depreciation	617,253	1,950,630	2,567,883
Total capital assets	953,369	2,019,542	2,972,911
Total assets	2,232,787	2,399,912	4,632,699
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	31,537	-	31,537
LIABILITIES			
Current liabilities:			
Accounts payable	6,816	5,359	12,175
Customer deposits	-	1,550	1,550
Current portion long-term liabilities	945	17,500	18,445
Total current liabilities	7,761	24,409	32,170
Long-term liabilities:			
Net pension liability	28,402	-	28,402
Due in more than one year	945	609,500	610,445
Total liabilities	37,108	633,909	671,017
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	-	-
NET POSITION			
Net investment in capital assets	953,369	1,392,542	2,345,911
Restricted for:			
Stabilization by State Statute	85,588	-	85,588
Streets	75,753	-	75,753
Infrastructure	147,513	-	147,513
Unrestricted	964,993	373,461	1,338,454
Total net position	\$ 2,227,216	\$ 1,766,003	\$ 3,993,219

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

Town of Cofield
Statement of Activities
For the Year Ended June 30, 2020
Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 267,761	\$ -	\$ -	\$ -	\$ (267,761)	\$ -	\$ (267,761)
Public safety	11,258	-	-	-	(11,258)	-	(11,258)
Transportation	71,820	-	10,427	-	(61,393)	-	(61,393)
Environmental protection	20,924	24,731	-	-	3,807	-	3,807
Cultural and recreation	34,399	7,673	-	-	(26,726)	-	(26,726)
Total governmental activities	406,162	32,404	10,427	-	(363,331)	-	(363,331)
Business-type activities:							
Water and sewer	214,827	262,284	-	-	-	47,457	47,457
Total primary government	\$ 620,989	\$ 294,688	\$ 10,427	\$ -	(363,331)	47,457	(315,874)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					103,194	-	103,194
Other taxes					130,731	-	130,731
Unrestricted investment earnings					1,681	-	1,681
Miscellaneous					3,596	-	3,596
Total general revenues					239,202	-	239,202
Change in net position					(124,129)	47,457	(76,672)
Net position, beginning					2,351,345	1,718,546	4,069,891
Net position, ending					\$ 2,227,216	\$ 1,766,003	\$ 3,993,219

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

Town of Cofield
Balance Sheet – Governmental Fund
June 30, 2020
Exhibit 3

	Major Fund
	General
ASSETS	
Cash and cash equivalents	\$ 922,269
Restricted cash	224,323
Investments	33,293
Receivables, net:	
Taxes	13,945
Accounts	19,984
Due from other funds	65,604
Total assets	\$ 1,279,418
LIABILITIES	
Accounts payable and accrued liabilities	\$ 6,816
Total liabilities	6,816
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	13,945
FUND BALANCES	
Restricted	
Stabilization by State Statute	85,588
Streets	75,753
Infrastructure	147,513
Assigned	
Subsequent year's expenditures	210,450
Unassigned	739,353
Total fund balances	1,258,657
Total liabilities, deferred inflows of resources and fund balances	\$ 1,279,418

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

Town of Cofield
Reconciliation of the Governmental Fund Balance
Sheet to the Statement of Net Position
June 30, 2020
Exhibit 3

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

Total fund balance, governmental funds	\$	1,258,657
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	1,302,515
Accumulated depreciation		(349,146)
<hr/>		
Deferred outflows of resources related to pensions are not reported in the funds		953,369
Long term liabilities used in governmental activities are not financial uses and therefore not reported in the funds		
Net pension liability		(28,402)
Earned revenues considered deferred inflows of resources in fund statements		13,945
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the fund - compensated absences		(1,890)
<hr/>		
Net position of governmental activities	\$	2,227,216
<hr/> <hr/>		

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

Town of Cofield
Statement of Revenues, Expenditures, and Change
in Fund Balance –Governmental Fund
For the Year Ended June 30, 2020
Exhibit 4

	Major Fund
	General
REVENUES	
Ad valorem taxes	\$ 104,127
Unrestricted intergovernmental	130,731
Restricted intergovernmental	10,427
Sales and services	32,404
Investment earnings	1,681
Miscellaneous	3,596
Total revenues	282,966
EXPENDITURES	
Current:	
General government	247,120
Public safety	11,258
Transportation	70,644
Environmental protection	20,924
Cultural and recreation	14,500
Total expenditures	364,446
Net change in fund balance	(81,480)
Fund balances:	
Beginning of the year	1,340,137
End of year	\$ 1,258,657

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020**

Exhibit 4

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

Net change in fund balances - governmental funds	\$	(81,480)
--	----	----------

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 depreciation exceeded capital outlay in the current period.

Depreciation expense for governmental assets		(33,595)
--	--	----------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		10,431
--	--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues		(934)
--	--	-------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(1,890)
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Pension expense		(16,661)
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Total changes in net position of governmental activities	\$	(124,129)
--	----	-----------

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Statement of Revenues, Expenditures, and Change
in Fund Balance –Budget to Actual
General Fund
For the Year Ended June 30, 2020
Exhibit 5

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 110,571	\$ 110,571	\$ 104,127	\$ (6,444)
Unrestricted intergovernmental	128,493	128,493	130,731	2,238
Restricted intergovernmental	10,565	10,565	10,427	(138)
Sales and services	23,758	23,758	32,404	8,646
Investment earnings	817	817	1,629	812
Miscellaneous income	18,390	18,390	3,596	(14,794)
Total revenues	292,594	292,594	282,914	(9,680)
EXPENDITURES				
Current:				
General government	270,450	300,100	247,120	52,980
Public safety	15,500	15,500	11,258	4,242
Transportation	111,282	111,282	70,644	40,638
Environmental protection	46,200	46,200	20,924	25,276
Cultural and recreation	22,120	22,120	14,500	7,620
Total expenditures	465,552	495,202	364,446	130,756
Revenues over (under) expenditures	(172,958)	(202,608)	(81,532)	121,076
OTHER FINANCING SOURCES				
Transfer from other funds	12,000	-	-	-
Total other financing sources	12,000	-	-	-
Fund balance appropriated	160,958	202,608	-	(202,608)
Net change in fund balance	\$ -	\$ -	(81,532)	\$ (81,532)
Fund balances:				
Beginning of the year			1,192,676	
End of year			<u>\$ 1,111,144</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			52	
Fund Balance, beginning			147,461	
Fund Balance, ending (Exhibit 4)			<u>\$ 1,258,657</u>	

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Statement of Net Position
Proprietary Fund
For the Year Ended June 30, 2020
Exhibit 6

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 422,084
Restricted cash and cash equivalents	1,550
Accounts receivable (net)	22,340
Total current assets	445,974
Noncurrent assets:	
Land and other non-depreciable assets	68,912
Other capital assets, net of depreciation	1,950,630
Total capital assets	2,019,542
Total assets	2,465,516
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	5,359
Due to other funds	65,604
Customer deposits	1,550
Revenue bonds payable - current	10,000
General obligation bonds payable - current	7,500
Total current liabilities	90,013
Non-current liabilities:	
Revenue bond payable - non-current	496,000
General obligation bonds payable - non-current	113,500
Total non-current liabilities	609,500
Total liabilities	699,513
NET POSITION	
Net investment in capital assets	1,392,542
Unrestricted	373,461
Total net position	\$ 1,766,003

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Fund
For the Year Ended June 30, 2020
Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 260,109
Water and sewer tap fees	2,175
Total operating revenues	262,284
OPERATING EXPENSES	
Administration	28,312
Water treatment and distribution	22,972
Sewage treatment	51,163
Depreciation	93,565
Total operating expenses	196,012
Operating income	66,272
NONOPERATING REVENUES (EXPENSES)	
Interest and fees	(18,815)
Total nonoperating revenues (expenses)	(18,815)
Change in net position	47,457
Total net position, beginning	1,718,546
Total net position, ending	\$ 1,766,003

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020
Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 263,999
Cash paid for goods and services	(77,995)
Cash paid to or on behalf of employees for services	(24,975)
Customer deposits received	1,550
Net cash provided (used) by operating activities	162,579
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due to other funds	7,310
Net cash provided (used) by noncapital financing activities	7,310
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(60,862)
Principal paid on bond maturities	(17,000)
Interest paid on bond maturities	(38,277)
Net cash provided (used) by capital and related financing activities	(116,139)
Net increase in cash and cash equivalents	53,750
Balances, beginning	369,884
Balances, ending	\$ 423,634
Reconciliation of cash - ending:	
Cash and cash equivalents	\$ 422,084
Restricted cash and cash equivalents	1,550
Total cash and cash equivalents	\$ 423,634
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 66,272
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	93,565
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,715
Increase (decrease) in accounts payable	(523)
Increase (decrease) in customer deposits	1,550
Net cash provided (used) by operating activities	\$ 162,579

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Cofield (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a five-member Council.

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. As of June 30, 2020, the Town did not have any 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 the 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Town of Cofield
Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all capital project funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by any amounts. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/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 NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from 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.

Town of Cofield
Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Restricted Assets

Money in the Capital Reserve Fund is classified as restricted cash because its use is restricted to the Capital Reserve Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Governmental activities:

General fund	
Powell Bill	\$ 75,753
Capital reserve	148,570
<u>Total restricted cash</u>	<u>\$ 224,323</u>

4. Ad Valorem Taxes Receivable

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

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land - \$100; buildings, improvements, substations, lines, and other plant and distribution systems - \$100; infrastructure - \$100; furniture and equipment - \$100; and vehicles - \$100. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are

Town of Cofield
Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital Assets (continued)

reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	30
Plant and distribution systems	40
Improvements	20
Vehicles	10
Furniture and equipment	10
Computer equipment	10

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 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 pension deferrals.

8. Long-Term Obligations

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-Term Obligations

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.

9. Compensated Absences

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

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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent 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 three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Net Position/Fund Balances

The governmental fund types classify fund balance as follows:

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

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

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

Restricted for Infrastructure – portion of fund balance that is restricted for expenditures related to upgrading the Town's infrastructure. [G.S. Chapter 159, Article 3, Part 2].

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Town of Cofield has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

11. Defined Benefit Cost-Sharing Plans

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

12. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Future Accounting Pronouncements – Accounting Standards Issues but Not Yet Effective

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Town is currently reviewing this statement to determine the

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Future Accounting Pronouncements – Accounting Standards Issues but Not Yet Effective (continued)

effect on the Town’s financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the Town’s financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Town is currently reviewing this statement to determine the effect on the Town’s financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Future Accounting Pronouncements – Accounting Standards Issues but Not Yet Effective (continued)

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Town of Cofield Notes to Financial Statements

Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The requirements of this Statement are effective immediately.

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C.G.S. 159-34 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town failed to provide complete and timely accounting records for the year ended June 30, 2020. The Town's annual audit was submitted late due to turnover in key positions and accounting software conversion issues. The Town will continue to review their procedures and policies to assure that their annual audit is submitted in a timely manner in the future.

NOTE III – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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 provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,570,226 and a bank balance of \$1,609,756. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Town of Cofield
Notes to Financial Statements

2. Investments

At June 30, 2020, the Town investment had \$33,293 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit risk rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

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

General Fund - Taxes receivable	\$	4,649
Water and Sewer Fund- Accounts receivable		2,933
Total	\$	7,582

Town of Cofield
Notes to Financial Statements

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 336,116	\$ -	\$ -	\$ 336,116
Construction in progress	-	-	-	-
Total capital asset not being depreciated	336,116	-	-	336,116
Capital assets being depreciated:				
Buildings	609,620	-	-	609,620
Other improvements	54,071	-	-	54,071
Equipment	217,687	-	-	217,687
Vehicles and motorized equipment	85,021	-	-	85,021
Total capital asset being depreciated	966,399	-	-	966,399
Less accumulated depreciation for:				
Buildings	93,019	19,123	-	112,142
Other improvements	20,270	3,340	-	23,610
Equipment	117,241	11,132	-	128,373
Vehicles and motorized equipment	85,021	-	-	85,021
Total accumulated depreciation	315,551	\$ 33,595	\$ -	349,146
Total capital asset being depreciated, net	650,848			617,253
Governmental activities capital assets, net	<u>\$ 986,964</u>			<u>\$ 953,369</u>

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

General government	\$ 12,520
Transportation	1,176
Cultural and recreational	19,899
Total	<u>\$ 33,595</u>

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

4. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 8,050	\$ -	\$ -	\$ 8,050
Construction in progress	-	60,862	-	60,862
Total capital assets not being depreciated	8,050	60,862	-	68,912
Capital assets being depreciated:				
Plant and distribution systems	3,457,063	-	-	3,457,063
Total capital asset being depreciated	3,457,063	-	-	3,457,063
Less accumulated depreciation for:				
Plant and distribution systems	1,412,868	93,565	-	1,506,433
Total accumulated depreciation	1,412,868	\$ 93,565	\$ -	1,506,433
Total capital asset being depreciated, net	<u>2,044,195</u>			<u>1,950,630</u>
Business-type activities capital assets, net	<u>\$ 2,052,245</u>			<u>\$ 2,019,542</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Cofield is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government 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

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Cofield 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 Cofield's contractually required contribution rate for the year ended June 30, 2020, was 8.95% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Cofield were \$10,431 for the year ended June 30, 2020.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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

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

At June 30, 2020, the Town reported a liability of \$28,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town’s proportion was 0.00104% (measured as of June 30, 2019), which was an increase of 0.0007% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$16,661. 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	\$ 4,863	\$ -
Change of assumptions	4,629	-
Net difference between projected and actual earnings on pension plan investments	693	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,921	-
Town contributions subsequent to the measurement date	10,431	-
Total	\$ 31,537	\$ -

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

\$10,431 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 8,541
2022	4,575
2023	5,250
2023	2,740
2024	-
Thereafter	-
	\$ 21,106

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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:

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

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

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

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's portionate share of the net pension liability (asset)	\$ 64,960	\$ 28,402	\$ (1,986)

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.

2. Deferred Outflows and Inflows of Resources

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

Town contributions subsequent to the measurement date	\$ 10,431
Differences between expected and actual experience	4,863
Changes of assumptions	4,629
Net difference between projected and actual earnings	693
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,921
Total	\$ 31,537

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 13,945
Total	\$ -	\$ 13,945

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$1 million and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries flood insurance for its water tanks and lift stations. Because these areas in the Town have been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town has purchased coverage at replacement cost for each structure.

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 clerk is individually bonded for \$50,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the Town had no pending lawsuits.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

5. Long-Term Obligations

a. General Obligation Indebtedness

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

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

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$226,000 1993 Water and Sewer serial bonds due in annual instalments of \$3,000 to \$10,000 through June 1, 2033; interest not to exceed 5.12% per annum	\$ 121,000
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Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2021	\$ 7,500	\$ 6,201
2022	8,000	5,817
2023	8,000	5,407
2024	9,000	4,997
2025	9,000	4,536
2026-2030	49,500	15,349
2031-2033	30,000	3,075
Total	\$ 121,000	\$ 45,382

At June 30, 2020, the Town had bonds authorized and outstanding of \$121,000, and a legal debt margin of \$1,762,323.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

b. Revenue bond

Revenue Bonds

Serviced by the Water and Sewer Fund:

\$543,000 Water and Sewer Revenue Bonds, Series 2014, issued for water and sewer system improvements. Principal and interest installments are due annually on June 1, at an annual interest rate of 2.375%.

\$ 506,000

The future payments of the revenue bond are as follows :

Year Ended June 30	Principal	Interest
2021	\$ 10,000	\$ 12,018
2022	10,000	11,780
2023	10,000	11,543
2024	11,000	11,305
2025	11,000	11,044
2026-2030	58,000	51,229
2031-2035	65,000	44,032
2036-2040	73,000	35,910
2041-2045	82,000	26,814
2046-2050	93,000	16,553
2051-2054	83,000	5,011
Total	\$ 506,000	\$ 237,239

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2020 is as follows :

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

Operating revenues	\$ 262,284
Operating expenses *	102,447
Income available for debt service	\$ 159,837
Debt service, principal and interest	\$ 35,815
Debt service coverage ratio	446.29%

* Per rate covenants, does not include depreciation expense of \$93,565

c. Changes in Long-term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ -	1,890	\$ -	\$ 1,890	\$ 945
Net pension liability (LGERS)	8,540	19,862	-	28,402	-
Governmental activities long-term liabilities	\$ 8,540	\$ 21,752	\$ -	\$ 30,292	\$ 945
Business-type activities:					
General obligation bonds	\$ 128,000	\$ -	\$ 7,000	\$ 121,000	\$ 7,500
Revenue bonds	516,000	-	10,000	506,000	10,000
Business-type activities long-term liabilities	\$ 644,000	\$ -	\$ 17,000	\$ 627,000	\$ 17,500

C. Interfund Balances and Activity

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

Due to the General Fund for current year expenditures paid for the Water Fund in the amount of \$65,604.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

D. Fund Balance

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

Total fund balance-General Fund	\$ 1,258,657
Less:	
Stabilization by State Statute	85,588
Streets-Powell Bill	75,753
Infrastructure	147,513
Appropriated Fund Balance in 2021 budget	210,450
Remaining Fund Balance	739,353

NOTE IV – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V - SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make utility and tax payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**Town of Cofield
Town's Proportionate Share of Net Pension Liability
Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cofield's proportion of the net pension liability (asset) (%)	0.00104%	0.00036%	0.00039%	0.00047%	0.00047%	0.00051%	0.00122%
Cofield's proportion of the net pension liability (asset) (\$)	\$ 28,402	\$ 8,540	\$ 5,958	\$ 9,775	\$ 2,109	\$ (3,008)	\$ 4,826
Cofield's covered-employee payroll	103,634	\$ 63,590	\$ 69,119	\$ 67,932	\$ 70,233	\$ 68,258	\$ 66,090
Cofield's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.41%	13.43%	8.62%	14.39%	3.00%	-4.41%	7.30%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. All information available for reporting under current GASB codification is presented. As information becomes available, it will be included in the above table.

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

Town of Cofield
Schedule of Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 10,431	\$ 8,032	\$ 4,769	\$ 4,811	\$ 4,557	\$ 4,957	\$ 4,826
Contributions in relation to the contractually required contribution	<u>10,431</u>	<u>8,032</u>	<u>4,769</u>	<u>4,811</u>	<u>4,557</u>	<u>4,957</u>	<u>4,826</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cofield's covered-employee payroll	\$ 116,546	\$ 103,634	\$ 63,590	\$ 69,119	\$ 67,932	\$ 70,233	\$ 68,258
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	6.96%	6.71%	7.06%	7.07%

* All information available for reporting under current GASB codification is presented. As information becomes available, it will be included in the above table.

Town of Cofield
Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes		\$ 103,371	
Penalties and interest		756	
Total ad valorem taxes	\$ 110,571	104,127	\$ (6,444)
Unrestricted intergovernmental:			
Local option sales taxes		71,287	
Beer and wine tax		1,738	
Utility franchise tax		57,215	
ABC Profits		491	
Total unrestricted intergovernmental	128,493	130,731	2,238
Restricted intergovernmental:			
Powell Bill allocation		10,427	
Total restricted intergovernmental	10,565	10,427	(138)
Sales and service:			
Rent		7,673	
Waste disposal fees		24,731	
Total sales and service	23,758	32,404	8,646
Investment earnings	817	1,629	812
Miscellaneous income	18,390	3,596	(14,794)
Total revenues	292,594	282,914	(9,680)

Town of Cofield
Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits	14,100	13,860	240
Administration:			
Salaries and employee benefits		64,070	
Operating expenditures		129,390	
Professional services		35,950	
Total administration	276,000	229,410	46,590
Legal:			
Professional services	10,000	3,850	6,150
Total general government	300,100	247,120	52,980
Public safety:			
Fire protection		9,548	
Police protection		1,710	
Total public safety	15,500	11,258	4,242
Transportation:			
Streets:			
Salaries and employee benefits		60,099	
Street lights		10,545	
Total transportation	111,282	70,644	40,638
Environmental protection:			
Solid waste:			
Collection fees		8,914	
Operating expenditures		12,010	
Total environmental protection	46,200	20,924	25,276

Town of Cofield
Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation:			
Recreation center:			
Salaries and employee benefits		9,645	
Operating expenditures		4,855	
Total cultural and recreation	22,120	14,500	7,620
Total expenditures	495,202	364,446	130,756
Revenues over expenditures	(202,608)	(81,532)	121,076
Fund balance appropriated	202,608	-	(202,608)
Net change in fund balance	\$ -	(81,532)	\$ (81,532)
Fund balances:			
Beginning of the year		1,192,676	
End of year		\$ 1,111,144	

Town of Cofield
Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 52	\$ 52
Total revenues	-	52	52
EXPENDITURES			
Infrastructure	-	-	
Total expenditures	-	-	-
Revenues over expenditures	\$ -	52	\$ 52
Fund balances:			
Beginning of the year		147,461	
End of year		\$ 147,513	

Town of Cofield
Schedules of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Water sales		\$ 127,512	
Sewer sales		130,577	
Connection fees		2,175	
Penalties		2,020	
Total operating revenues	\$ 234,700	262,284	\$ 27,584
Nonoperating revenues:			
Investment earning	15	-	(15)
Miscellaneous	50,500		(50,500)
Total nonoperating revenues	50,515	-	(50,515)
Total revenues	285,215	262,284	(22,931)
EXPENDITURES			
Water and sewer administration:			
Salaries and benefits		11,080	
Contracted services		10,550	
Other operating expenditures		6,682	
Total water and sewer administration	50,530	28,312	22,218
Water treatment and distribution:			
Salaries and benefits		13,895	
Repairs		3,520	
Utilities		5,557	
Total water treatment and distribution	27,895	22,972	4,923

Town of Cofield
Schedules of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Sewage treatment:			
Utilities		4,423	
Repairs		46,740	
Total sewage treatment	83,750	51,163	32,587
Debt service:			
Interest and fees		18,815	
Debt principal		17,000	
Total debt service	44,000	35,815	8,185
Capital outlay:			
Plant and distribution systems		60,862	
Total capital outlay	101,453	60,862	40,591
Total expenditures	307,628	199,124	108,504
Revenues over (under) expenditures	(22,413)	63,160	85,573
OTHER FINANCING SOURCES			
Fund balance appropriated	22,413	-	(22,413)
Revenues and other sources over expenditures	\$ -	63,160	\$ 63,160
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(93,565)	
Capital outlay		60,862	
Principal retirement		17,000	
Total reconciling items		(15,703)	
Change in net position		\$ 47,457	

Town of Cofield
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 105,936	\$ 100,734	\$ 5,202
2018-2019	6,143	-	1,948	4,195
2017-2018	2,654	-	522	2,132
2016-2017	1,581	-	166	1,415
2015-2016	1,197	-	-	1,197
2014-2015	1,635	-	265	1,370
2013-2014	1,665	-	966	699
2012-2013	1,083	-	307	776
2011-2012	934	-	87	847
2010-2011	1,080	-	319	761
2009-2010	1,864	-	1,864	-
	<u>\$ 19,836</u>	<u>\$ 105,936</u>	<u>\$ 107,178</u>	<u>18,594</u>

Less: allowance for uncollectible accounts 4,649

Ad valorem taxes receivable - net \$ 13,945

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 104,127

Reconciling items:

Taxes written off 3,807

Interest collected (756)

Subtotal 3,051

Total collections and credits \$ 107,178

Town of Cofield
Analysis of Current Tax Levy
Town-wide Levy
For the Year Ended June 30, 2020

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 22,850,430	0.45	\$ 102,827	\$ 92,252	\$ 10,575
Penalties	-		-	-	-
Total	22,850,430		102,827	92,252	10,575
Discoveries					
Current Year Taxes	691,885	0.45	3,113	3,113	-
Releases	(782)		(4)	(4)	-
Total property valuation	\$ 23,541,533				
Net levy			105,936	95,361	10,575
Uncollected taxes at June 30, 2020			5,202	5,202	-
Current years taxes collected			\$ 100,734	\$ 90,159	\$ 10,575
Current levy collection percentage			95.09%	94.54%	100.00%

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cofield, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated May 19, 2021.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items [2020-2, 2020-3, 2020-4] to be significant deficiencies.

Compliance and Other Matters

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

Town's Response to Finding

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

May 19, 2021

New Bern, North Carolina

Town of Cofield
Schedule of Findings and Responses
For the Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-1 Key account reconciliations

Criteria: To ensure accurate and timely financial reporting, management must reconcile several key account areas on a routine basis. Reconciling these accounts ensure the general ledger reflects changes in financial conditions and provides accurate reporting. Accurate and timely adjustments to the general ledger from account reconciliations are essential to ensure accurate and timely financial functions can be performed.

Condition: Significant key account areas were not reconciled or reviewed during the June 30, 2020 fiscal year. These include the following:

- Bank accounts – The bank statements for the Town were not properly reconciled for during the year. As a result, several errors were observed, including improper recording of ad valorem tax revenues, state shared revenues and operating expenses.

Effect: The following were noted as a result of the conditions noted above:

- Bank account reconciliations – As a result of the accounts not being reconciled, multiple entries were required to adjust operating account balances with the net effect of entries totaling \$117,067.

Cause: The primary financial reporting team within the Town did not have significant experience with proper processes regarding reconciliations as staff members were assigned new roles and responsibilities. As a result, several tasks and processes were not performed timely.

Recommendation: The Town should create a monthly financial close listing, including all key accounts and reconciliations that are required. When processing each financial close, the Town should identify the individuals with information necessary to process the close and information needed, and establish a routine timeframe for closing each month.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where reconciliations are required and adding them to the monthly and quarterly standard accounting close processes. Management is in the process of reorganizing functions within the finance department that will improve processes and ensure key accounts are reconciled timely and accurately. Implementation of new controls are being addressed and should be completed no later than June 30, 2021.

Town of Cofield
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Significant Deficiency

2020-2 Key account reconciliations

Criteria: To ensure accurate and timely financial reporting, management must reconcile several key account areas on a routine basis. Reconciling these accounts ensure the general ledger reflects changes in financial conditions and provides accurate reporting. Accurate and timely adjustments to the general ledger from account reconciliations are essential to ensure accurate and timely financial functions can be performed.

Condition: Significant key account areas were not reconciled or reviewed during the June 30, 2020 fiscal year. These include the following:

- Accounts receivable and allowance for doubtful accounts – The accounts receivable and allowance for doubtful accounts for the water and sewer fund for the Town were not properly reconciled for during the year.

Effect: The following were noted as a result of the conditions noted above:

- Accounts receivable and allowance for doubtful accounts reconciliations – As a result of the accounts not being reconciled, entries were required to adjust the accounts receivable and allowance for doubtful accounts.

Cause: The primary financial reporting team within the Town did not have significant experience with proper processes regarding reconciliations as staff members were assigned new roles and responsibilities. As a result, several tasks and processes were not performed timely.

Recommendation: The Town should create a monthly financial close listing, including all key accounts and reconciliations that are required. When processing each financial close, the Town should identify the individuals with information necessary to process the close and information needed, and establish a routine timeframe for closing each month.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where reconciliations are required and adding them to the monthly and quarterly standard accounting close processes. Management is in the process of reorganizing functions within the finance department that will improve processes and ensure key accounts are reconciled timely and accurately. Implementation of new controls are being addressed and should be completed no later than June 30, 2021.

Town of Cofield
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Significant Deficiency

2020-3 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 159-34(a) and G.S. 159-33.1 states that the unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year and other annual and semi-annual reports are filed timely, respectively.

Condition: The Town's books were not available and in order in a timely manner in accordance with state statutes. Turnover in key positions and ongoing accounting system conversion caused the books to not be available and in order in a timely manner.

Effect: The Town's audit and annual financial information report was not able to be prepared in a timely manner.

Cause: Turnover in key positions and ongoing accounting system conversion caused the books to not be available and in order in a timely manner.

Recommendation: The Town should continue to provide training for the finance department staffing related to North Carolina General Statutes and governmental auditing standards.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor their reporting requirements and timely completion of their audit and other additional reporting requirements.

Town of Cofield
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Significant Deficiency

2020-4 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 159-28(a) states that all payments of money shall include on its face a certificate stating that instrument has been preaudited. The certificate should be signed by the finance officer and substantially include the following form: "This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act."

Condition: The Town does not sufficiently preaudit all payments of money, purchase orders, or contracts.

Effect: The Town could potentially exceed budgetary limits due to not properly preauditing expenditures.

Cause: Turnover in key positions and ongoing accounting system conversion caused the town to not include preaudit certificate on purchase orders and check request.

Recommendation: The Town should continue to provide training for the finance department staffing related to North Carolina General Statutes and governmental auditing standards.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor the requirements related to preaudit certification.