

Town of Columbia Financial Statements June 30, 2020



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Certified Public Accountants



**Town of Columbia
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June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 45 and 46, respectively, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 47, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

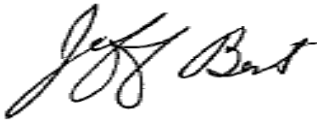
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Columbia, North Carolina. The individual fund statements and other schedules are presented for purposes of additional analysis and are not a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

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

respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2021 on our consideration of the Town of Columbia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Columbia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jeff Best". The signature is written in a cursive, flowing style.

Jeff Best, CPA, PLLC

Belhaven, North Carolina

June 29, 2021

Town of Columbia Management's Discussion and Analysis

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

Financial Highlights

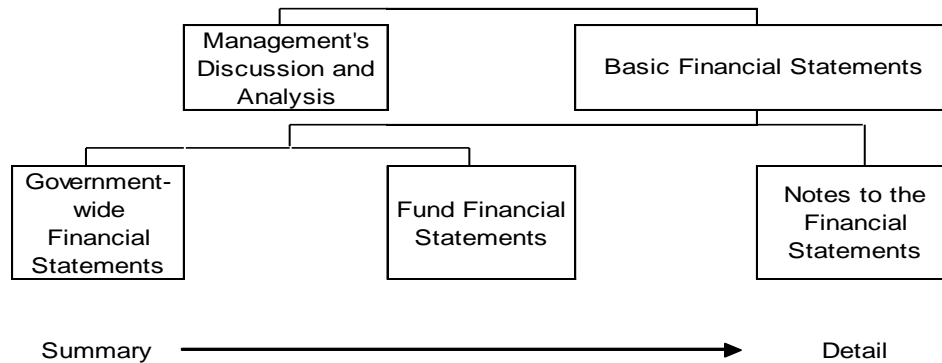
- The assets and deferred outflows of resources of the Town of Columbia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,163,929 (*net position*).
- The government's total net position decreased by \$265,731, primarily due to the decrease in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Columbia's governmental funds reported combined ending fund balances of \$858,534 with a net change of \$15,286 in fund balance. Approximately 6.13 percent of this total amount, or \$52,610, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$805,924, or 129.84 percent of total general fund expenditures for the fiscal year.
- The Town of Columbia's total debt decreased by \$46,199 (2.09%) during the current fiscal year. The key factor in this decrease was principal payments on installment purchases and revenue bonds.

Overview of the Financial Statements

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

Town of Columbia Management's Discussion and Analysis

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

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

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

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

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, cultural and recreation, and general administration. Property taxes and state

Town of Columbia Management's Discussion and Analysis

and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Columbia.

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

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

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

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

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

Town of Columbia Management's Discussion and Analysis

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22-44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Columbia's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

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

Government-Wide Financial Analysis

**The Town of Columbia's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 932,380	\$ 877,080	\$ 2,907,930	\$ 2,885,277	\$ 3,840,310	\$ 3,762,357
Capital assets	487,592	459,692	9,597,365	9,734,614	10,084,957	10,194,306
Deferred outflows of resources	106,441	56,390	61,460	42,918	167,901	99,308
Total assets and deferred outflows of resources	1,526,413	1,393,162	12,566,755	12,662,809	14,093,168	14,055,971
Long-term liabilities outstanding	380,140	309,063	2,353,676	2,380,904	2,733,816	2,689,967
Other liabilities	28,188	5,603	125,354	85,742	153,543	91,345
Deferred inflows of resources	26,289	30,154	15,592	20,077	41,881	50,231
Total liabilities and deferred inflows of resources	434,618	344,820	2,494,622	2,486,723	2,929,240	2,831,543
Net position:						
Net investment in capital assets	487,592	459,692	7,435,379	7,526,429	7,922,971	7,986,121
Restricted	52,610	56,617	61,056	-	113,666	56,617
Unrestricted	551,594	532,034	2,575,698	2,649,657	3,127,292	3,181,691
Total net position	\$ 1,091,796	\$ 1,048,343	\$ 10,072,133	\$ 10,176,086	\$ 11,163,929	\$ 11,224,429

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Columbia exceeded liabilities and deferred inflows by \$11,163,929 as of June 30, 2020. The Town's net position decreased by \$265,731 for the fiscal year ended June 30, 2020. However, the largest portion, 70.97%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Columbia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Columbia's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An

Town of Columbia Management's Discussion and Analysis

additional portion of the Town of Columbia's net position, \$113,666 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,127,292 is unrestricted.

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

- Continued efforts to seek grants such as Community Development Block Grants, grants for repairs and renovations to the Town's water and wastewater system, sewer line rehabilitation, waterfront access and boating access grants, and State and federal funds to advance planning efforts and defray local costs of infrastructure projects.
- Efforts to work with the NC Department of Transportation and Tyrell County to resolve street flooding issues, develop multi-use paths and to secure discretionary funds for sidewalks as well as resurfacing, curb, and guttering of streets located within the Town.
- Non-developed annexed areas will eventually add to the tax base, especially as they are developed for planned residential or repurposed commercial activity, resulting in new business properties that add to Columbia's tax base.

**Town of Columbia Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 21,129	\$ 33,725	\$ 509,485	\$ 607,008	\$ 530,614	\$ 640,733
Operating grants and contributions	119,637	23,727	113,604	-	233,241	23,727
Capital grants and contributions	-	-	39,150	-	39,150	-
General revenues:						
Property taxes	345,042	338,034	-	-	345,042	338,034
Other taxes	1,840	1,780	-	-	1,840	1,780
Other	211,325	222,903	22,105	21,631	233,430	244,534
Total revenues	698,973	620,169	684,344	628,639	1,383,317	1,248,808
Expenses:						
General government	268,069	304,034	-	-	268,069	304,034
Public safety	126,250	126,250	-	-	126,250	126,250
Highways/streets	114,183	150,572	-	-	114,183	150,572
Economic and physical development	46,069	-	-	-	46,069	-
Environmental protection	2,415	5,405	-	-	2,415	5,405
Culture and recreation	98,534	6,221	-	-	98,534	6,221
Water and sewer	-	-	993,528	933,587	993,528	933,587
Total expenses	655,520	592,482	993,528	933,587	1,649,048	1,526,069
Increase (decrease) in net position	43,453	27,687	(309,184)	(304,948)	(265,731)	(277,261)
Net position, July 1	1,048,343	1,020,656	10,176,086	10,439,315	11,224,429	11,459,971
Restatement	-	-	205,231	41,719	205,231	41,719
Net position, beginning, restated	1,048,343	1,020,656	10,381,317	10,481,034	11,429,660	11,501,690
Net position, June 30	\$ 1,091,796	\$ 1,048,343	\$ 10,072,133	\$ 10,176,086	\$ 11,163,929	\$ 11,224,429

Town of Columbia Management's Discussion and Analysis

Governmental activities: Governmental activities increased the Town net position by \$43,453. The key elements of the increase are as follows:

- The Town's ability to control expenditures during the fiscal year compiled with aggressive collection of past due taxes.

Business-type activities: Business-type activities decreased the Town of Columbia's net position by \$309,184. Key elements of this decrease are as follows:

- The efficient operation of the water and sewer systems helps control operational costs. The Town's staff makes repairs wherever possible, rather than using outside contractors which helps control operational costs. Recent increases in water and sewer rates brought revenues in line with the increasing costs of providing these utilities and expanded water and sewer facilities, while allowing the Town to expand the wastewater and water systems of the Town.
- Paying down of wastewater system debt continues to increase the Town's business-type activity net position, which includes a USDA loan used to expand the Town's waste water treatment plant.
- The Town will continue to use grants such as the CDBG-Infrastructure program to upgrade sewer collection facilities throughout the Town, providing for even more efficient and cost-effective operations. The Town is contracting with Tyrrell County to treat raw sewage from their Alligator Community sewer service made possible because of the recent expansion of the Columbia Waste Water Treatment Plant.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Columbia. At the end of the current fiscal year, the Town of Columbia's fund balance available in the General Fund was \$805,924, while total fund balance reached \$858,534. The Governing Body of the Town of Columbia has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 129.84% of general fund expenditures, while total fund balance represents 138.32% of the same amount.

At June 30, 2020, the governmental funds of the Town of Columbia reported a combined fund balance of \$858,534 with a net increase in fund balance of \$15,286.

Town of Columbia Management's Discussion and Analysis

General Fund Budgetary Highlights

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

Expenditures were held in check to comply with the Town's budgetary requirements.

Proprietary funds. The Town of Columbia's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,575,698. The total change in net position for the fund was (\$309,184). Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Columbia's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$10,084,957 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Columbia's Capital Assets
Figure 4
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 148,345	\$ 148,345	\$ 32,652	\$ 32,652	\$ 180,997	\$ 180,997
Buildings and systems	17,073	18,496	9,310,351	9,688,740	9,327,424	9,707,236
Improvements other than buildings	241,092	261,782	-	-	241,092	261,782
Machinery and equipment	59,012	31,069	10,082	13,222	69,094	44,291
Vehicles and motorized equipment	22,070	-	-	-	22,070	-
Construction in progress	-	-	244,280	205,130	244,280	205,130
Total	\$ 487,592	\$ 459,692	\$ 9,597,365	\$ 9,939,744	\$ 10,084,957	\$ 10,399,436

Additional information on the Town's capital assets can be found in Note II.A.4 of the Basic Financial Statements.

Long-term Debt. The Town of Columbia's total debt decreased by \$46,199 (2.09%) during the past fiscal year, primarily due to principal payments on installment purchase and revenue bonds.

Town of Columbia Management's Discussion and Analysis

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Columbia is \$4,333,870.

Additional information regarding the Town of Columbia's long-term debt can be found in Note II.B.5 beginning on page 40 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Annexed areas that have not been developed will eventually increase the Town of Columbia's tax base and potential for business and residential growth.
- New businesses continue to increase sales tax revenue and attract other new business to the Town from surrounding areas. The Pocosin Arts educational building and lodge provides housing for East Carolina University students and faculty that undertake research projects in northeastern North Carolina while allowing expansion of that non-profit's educational programs. As of the end of the fiscal year, only four downtown business locations were vacant.
- Improvements to the boardwalk and a new waterfront shower facility made Columbia more attractive for transient boaters exploring the inner Albemarle Sound and its tributaries, bringing additional customers to downtown businesses. Repairs to these facilities are ongoing to maintain use and Columbia's desirability as a stop on the Albemarle Sound.
- The multi-lane US-64 through Columbia continues to attract business and recreational travelers who stop and visit the downtown businesses and historic areas. The expanded parking lot at the Tyrrell County Visitor's Center provides an attractive stop-over to the Town and encourages travelers to stop and visit in Columbia.
- Announced plans by the State of North Carolina to close the Tyrrell Prison Work Farm will result in a \$220,000 annual loss in revenues. This will be devastating to the water/sewer fund and significantly impact day-to-day operations and the ability to act quickly when repairs are needed as well as meet debt obligations. The Town continues to lobby State officials to reverse this decision.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The distressed economy continues to require a cautious approach to fiscal management. Property taxes resulting from revalued properties and revenues from permits and fees are expected to lead to no increase in budgeted revenue. The Town will continue to finance programs currently in place and to administer added cost of reviewing subdivision submissions and planning activities. No new initiatives are planned.

Budgeted expenditures in the General Fund are expected to rise slightly. The largest increments are in law enforcement, fire protection, utilities, insurance, employee compensation, including funding

Town of Columbia Management's Discussion and Analysis

compensation and benefits adjustments. Health insurance costs will continue to increase significantly providing reason for concern in the budgeting process.

Unknown factors may influence the Town of Columbia's budget, including actions that have been discussed by the North Carolina General Assembly that may reduce or eliminate additional revenue sources to municipalities. As a coastal community the threat of hurricane damage looms over the town. The Tyrrell County property tax re-evaluation completed in 2019, resulted in as much as a 30% decrease in property values. The Town has stretched to keep the tax rate at a revenue neutral rate.

Business – type Activities: Increases in the Town's water and sewer rates have helped make construction of an expanded wastewater treatment plant possible. Even with the down economy, costs continue to increase almost monthly, reflecting increased costs of utilities, chemical supplies and materials. The Town will continue to seek State economic development and infrastructure grants as well as Federal funds to reduce the amounts of the water and sewer renovations that will have to be shouldered by water and sewer customers.

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 by mail to the Town Manager of the Town of Columbia, PO Box 361, Columbia, N.C. 27925, by telephone (252) 796-2781, or by email at rhett_townofcolumbia@yahoo.com.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 812,127	\$ 2,695,050	\$ 3,507,177
Taxes receivables (net)	47,148	-	47,148
Accounts receivable (net)	-	81,654	81,654
Due from other governments	50,720	-	50,720
Grants receivable	22,385	39,150	61,535
Restricted cash and cash equivalents	-	92,076	92,076
Total current assets	932,380	2,907,930	3,840,310
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	148,345	276,932	425,277
Other capital assets, net of depreciation	339,247	9,320,433	9,659,680
Total capital assets	487,592	9,597,365	10,084,957
Total non-current assets	487,592	9,597,365	10,084,957
Total assets	1,419,972	12,505,295	13,925,267
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	30,458	12,275	42,733
OPEB deferrals	75,983	49,185	125,168
Total deferred outflows of resources	106,441	61,460	167,901
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	4,313	6,894	11,207
Customer deposits	-	31,020	31,020
Current portion of long-term liabilities	1,490	48,290	49,781
Payable from restricted assets	22,385	39,150	61,535
Total current liabilities	28,188	125,354	153,543
Long-term liabilities:			
Due in more than one year	380,140	2,353,676	2,733,816
Total liabilities	408,328	2,479,030	2,887,358
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	826	333	1,159
OPEB deferrals	23,573	15,259	38,832
Prepaid taxes	1,890	-	1,890
Total deferred inflows of resources	26,289	15,592	41,881
NET POSITION			
Net investment in capital assets	487,592	7,435,379	7,922,971
Restricted for:			
Stabilization by State Statute	52,610	-	52,610
Pursuant to loan requirements	-	61,056	61,056
Unrestricted	551,594	2,575,698	3,127,292
Total net position	\$ 1,091,796	\$ 10,072,133	\$ 11,163,929

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

Town of Columbia
Statement of Activities
For the Fiscal 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		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 268,069	\$ 21,129	\$ -	\$ -	\$ (246,940)	\$ -	\$ (246,940)
Public safety	126,250	-	-	-	(126,250)	-	(126,250)
Transportation	114,183	-	73,568	-	(40,615)	-	(40,615)
Economic and physical development	46,069	-	46,069	-	-	-	-
Environmental protection	2,415	-	-	-	(2,415)	-	(2,415)
Cultural and recreation	98,534	-	-	-	(98,534)	-	(98,534)
Total governmental activities	655,520	21,129	119,637	-	(514,754)	-	(514,754)
Business-type activities:							
Water and sewer	993,528	509,485	113,604	39,150	-	(331,289)	(331,289)
Total business-type activities	993,528	509,485	113,604	39,150	-	(331,289)	(331,289)
Total primary government	\$ 1,649,048	\$ 530,614	\$ 233,241	\$ 39,150	\$ (514,754)	\$ (331,289)	\$ (846,043)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					345,042	-	345,042
Other taxes					1,840	-	1,840
Grants and contributions not restricted to specific programs					193,436		193,436
Unrestricted investment earnings					17,889	15,847	33,736
Miscellaneous					-	6,258	6,258
Total general revenues not including transfers					558,207	22,105	580,312
Change in net position					43,453	(309,184)	(265,731)
Net position, beginning					1,048,343	10,176,086	11,224,429
Restatement					-	205,231	205,231
Net position, beginning, restated					1,048,343	10,381,317	11,429,660
Net position, ending					\$ 1,091,796	\$ 10,072,133	\$ 11,163,929

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

Town of Columbia
Balance Sheet – Governmental Funds
June 30, 2020
Exhibit 3

	Major Funds		Total Governmental Funds
	General Fund	NCHFA 2017 ESFRLP-DR	
ASSETS			
Cash and cash equivalents	\$ 812,127	\$ -	\$ 812,127
Receivables, net:			
Taxes	47,148	-	47,148
Due from other governments	50,720	-	50,720
Grant receivable	-	22,385	22,385
Total assets	\$ 909,995	\$ 22,385	\$ 932,380
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 4,313	22,385	\$ 26,698
Total liabilities	4,313	22,385	26,698
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	45,258	-	45,258
Prepaid taxes	1,890	-	1,890
Total deferred inflows of resources	47,148	-	47,148
FUND BALANCES			
Restricted			
Stabilization by State Statute	52,610	-	52,610
Unassigned	805,924	-	805,924
Total fund balances	858,534	-	858,534
Total liabilities, deferred inflows of resources and fund balances	\$ 909,995	\$ 22,385	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances, governmental funds	858,534
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	977,238
Accumulated depreciation	(489,646)
Deferred outflows of resources related to OPEB are not reported in the funds.	75,983
Deferred outflows of resources related to pensions are not reported in the funds.	30,458
Earned revenues considered deferred inflows of resources in fund statements.	45,258
Deferred inflows of resources related to pensions are not reported in the funds.	(826)
Deferred inflows of resources related to OPEB are not reported in the funds.	(23,573)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
OPEB liability	(344,720)
Compensated absences	(5,961)
Net pension liability	(30,949)
Net position of governmental activities	\$ 1,091,796

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

Town of Columbia
Statement of Revenues, Expenditures, and Changes
in Fund Balance –Governmental Funds
For the Fiscal Year Ended June 30, 2020
Exhibit 4

	Major Funds		
	General Fund	NCHFA 2017 ESFRLP-DR	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 328,126	\$ -	\$ 328,126
Other taxes and licenses	1,840	-	1,840
Unrestricted intergovernmental	193,436	-	193,436
Restricted intergovernmental	73,568	46,069	119,637
Permits and fees	11,401	-	11,401
Sales and services	9,728	-	9,728
Investment earnings	17,889	-	17,889
Total revenues	635,988	46,069	682,057
EXPENDITURES			
Current:			
General government	237,082	-	237,082
Public safety	126,250	-	126,250
Transportation	176,834	-	176,834
Environmental protection	2,415	-	2,415
Economic and physical development	-	46,069	46,069
Cultural and recreational	78,121	-	78,121
Total expenditures	620,702	46,069	666,771
Net change in fund balance	15,286	-	15,286
Fund balance, beginning	843,249	-	843,249
Fund balance, ending	\$ 858,535	\$ -	\$ 858,535

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

Town of Columbia

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities – Governmental Funds
For Fiscal Year Ended June 30, 2020
Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$	15,286
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized		62,651
Depreciation expense for governmental assets		(34,751)
Total		27,900
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		14,305
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		13,974
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		16,916
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds</p>		
Compensated absences		1,029
Pension expense		(17,141)
OPEB Expense		(28,816)
Total		(44,928)
Total changes in net position of governmental activities	\$	43,453

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

Town of Columbia

**General Fund Statement of Revenues, Expenditures, and Change in Fund
Balance – Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020
Exhibit 6**

General Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 280,592	\$ 280,592	\$ 328,126	\$ 47,534
Other taxes and licenses	1,500	1,500	1,840	340
Unrestricted intergovernmental	151,695	151,695	193,436	41,741
Restricted intergovernmental	67,027	67,027	73,568	6,541
Permits and fees	9,175	9,175	11,401	2,226
Sales and services	5,400	5,400	9,728	4,328
Investment earnings	9,000	9,000	17,889	8,889
Total revenues	524,389	524,389	635,988	111,599
EXPENDITURES				
Current:				
General government	306,348	308,513	237,082	71,431
Transportation	226,680	198,993	176,834	22,159
Public safety	128,500	128,500	126,250	2,250
Environmental protection	6,850	6,850	2,415	4,435
Cultural and recreational	43,700	83,109	78,121	4,988
Total expenditures	712,078	725,965	620,702	105,263
Revenues over (under) expenditures	(187,689)	(201,576)	15,286	216,862
Fund balance appropriated	187,689	201,576	-	(201,576)
Net change in fund balance	\$ -	\$ -	15,286	\$ 15,286
Fund balance, beginning			843,249	
Fund balance, ending			\$ 858,535	

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

Town of Columbia
Statement of Fund Net Position – Proprietary Fund
June 30, 2020
Exhibit 7

	Major Enterprise Fund	
	Water and	Sewer Fund
ASSETS		
Current assets:		
Cash and equivalents	\$	2,695,050
Restricted cash and cash equivalents		92,076
Accounts receivables (net)		81,654
Grants receivable		39,150
Total current assets		2,907,930
Noncurrent assets:		
Capital assets:		
Land and construction in progress		276,932
Other capital assets, net of depreciation		9,320,433
Capital assets (net)		9,597,365
Total noncurrent assets		9,597,365
Total assets	\$	12,505,295
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals		12,275
OPEB deferrals		49,185
Total deferred outflows of resources		61,460
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$	6,894
Customer deposits		31,020
Compensated absences payable - current		1,091
Installment purchase - current		12,199
Revenue bond payable - current		35,000
Liabilities payable from restricted assets:		
Accounts payable		39,150
Total current liabilities		125,354
Noncurrent liabilities:		
Compensated absences payable - noncurrent		3,272
Other postemployment benefits		223,144
Net pension liability		12,473
Revenue bonds payable - noncurrent		2,005,000
Installment purchase - noncurrent		109,787
Total noncurrent liabilities		2,353,676
Total liabilities		2,479,030
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals		333
OPEB deferrals		15,259
Total deferred inflows of resources		15,592
NET POSITION		
Net investment in capital assets		7,435,379
Pursuant to loan requirements		61,056
Unrestricted		2,575,698
Total net position		10,072,133

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

Town of Columbia
Statement of Revenues, Expenditures, and Changes in
Fund Net Position – Proprietary Fund
June 30, 2020
Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES	
Charges for service	\$ 506,745
Water and sewer taps	2,740
Total operating revenues	509,485
OPERATING EXPENSES	
Administration	135,510
Water treatment plant	409,189
Depreciation	381,529
Total operating expenses	926,228
Operating income (loss)	(416,743)
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous income	6,258
Interest and fees	(67,300)
Investment earnings	15,847
Public Safety grant	113,604
Total nonoperating revenues (expenses)	68,409
Income (loss) before contributions	(348,334)
Capital contributions	39,150
Total contributions	39,150
Change in net position	(309,184)
Net position, beginning	10,176,086
Prior period adjustment	205,231
Net position, beginning, restated	10,381,317
Net position, ending	\$ 10,072,133

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

Town of Columbia
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2020
Exhibit 9

	Major Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 517,772
Cash paid for goods and services	(404,657)
Cash paid to or on behalf of employees for services	(143,266)
Customer deposits, net	(370)
Net cash provided (used) by operating activities	(30,521)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Public Safety grant	113,604
Miscellaneous income	6,258
Net cash provided (used) by noncapital financing activities	119,862
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term borrowings	(46,199)
Interest paid on long-term borrowings	(67,300)
Acquisition and construction of capital assets	(39,150)
Capital contributions	39,150
Net cash provided (used) by capital and related financing activities	(113,499)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	15,847
Net increase (decrease) in cash and cash equivalents	(8,311)
Balances, beginning	2,795,437
Balances, ending	\$ 2,787,126
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (416,743)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	381,529
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	8,287
(Increase) decrease in deferred outflows of resources - pensions	19,213
(Increase) decrease in deferred outflows of resources - OPEB	(37,755)
Increase (decrease) in net pension liability	(17,666)
Increase (decrease) in deferred inflows of resources - pensions	177
Increase (decrease) in deferred inflows of resources - OPEB	(4,662)
Increase (decrease) in accounts payable and accrued liabilities	(562)
Increase (decrease) in customer deposits	(370)
Increase (decrease) in compensated absences	1,576
Increase (decrease) in OPEB liability	36,455
Total adjustments	386,222
Net cash provided by operating activities	\$ (30,521)

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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.

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

The Town reports the following major governmental funds:

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

Town of Columbia Notes to the Financial Statements

fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

NCHFA 2017 ESFRLP-DR. This fund is used to account for the Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery Project funded by the North Carolina Housing Finance Agency. This program provides funds via a “loan pool” to assist with the rehabilitation of owner-occupied homes damaged by Hurricane Matthew and Tropical Storms Julia and Hermine.

The Town reports the following major enterprise fund:

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

2017 CDBG-I. This fund is used to account for the 2017 Community Development Block Grant – Infrastructure Project funded by the Department of Commerce. This program provides funds used for sewer improvements to the Town of Columbia. For reporting purposes, this fund is combined with the Water and Sewer Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Columbia Notes to the Financial Statements

assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. 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 fund. Amendments are required

Town of Columbia Notes to the Financial Statements

for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. The Town Manager is authorized by the budget ordinance to transfer appropriations between line items within a department without limitation. These changes should not result in increases in recurring obligations such as salaries. During the year amendments to the budget were necessary.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Town is required by USDA to set aside ten percent (10%) of the current year's note payment as restricted cash in a separate account for ten years or until one payment has accrued or the note is paid out. For the fiscal year ended June 30, 2020, the Town has accumulated \$61,056 in this account and it is shown as restricted assets for 'Pursuant to Loan Requirements'. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Columbia
Notes to the Financial Statements

Business-type Activities:

Water and Sewer Fund

Pursuant to loan requirements	\$ 61,056
Customer deposits	31,020
Total business-type restricted cash	92,076
Total restricted cash	\$ 92,076

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, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Infrastructure	50 years
Buildings	30 years
Other improvements	25 years
Equipment and furniture	10 years
Vehicles and motorized equipment	5 years
Computer equipment	3 years

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 two items that meet this criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category- prepaid taxes, property taxes receivable, pension deferrals, and OPEB 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, 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 twenty (20) 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 the unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There was no nonspendable fund balance at June 30, 2020.

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

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

Restricted for USDA Reserve – portion of fund balance that is restricted by revenue source for certain debt related expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Columbia's governing body (highest level of

Town of Columbia Notes to the Financial Statements

decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. There was no committed fund balance at June 30, 2020.

Assigned Fund Balance – portion of fund balance that the Town of Columbia intends to use for specific purposes. There was no assigned fund balance at June 30, 2020.

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 Columbia 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, and 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.

The Town of Columbia has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

11. Subsequent Events – Date of Management Evaluation

Management has evaluated subsequent events through June 29, 2021, the date on which the financial statements were available to be issued.

12. Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Columbia's employer contributions are recognized when due and the Town of Columbia has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

NOTE II – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$3,278,139 and a bank balance of \$3,290,095. Of the bank balance, \$303,893 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$100.

2. Investments

At June 30, 2020, the Town of Columbia had \$321,014 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

3. Receivables – Allowance 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:

Town of Columbia
Notes to the Financial Statements

Fund	June 30, 2020
General Fund:	
Taxes receivable	\$ 23,108
Total	23,108
Enterprise Funds:	
Water and Sewer Fund - Accounts receivable	40,607
Total	\$ 63,715

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 148,345	\$ -	\$ -	\$ 148,345
Total capital assets not being depreciated	148,345	-	-	148,345
Capital assets being depreciated:				
Buildings	71,138	-	-	71,138
Other improvements	504,866	-	-	504,866
Equipment	133,889	45,000	-	178,889
Vehicles and motorized equipment	56,349	17,651	-	74,000
Total capital assets being depreciated	766,242	62,651	-	828,893
Less accumulated depreciation for:				
Buildings	52,642	1,423	-	54,065
Other improvements	243,084	20,690	-	263,774
Equipment	111,832	8,045	-	119,877
Vehicles and motorized equipment	47,337	4,593	-	51,930
Total accumulated depreciation	454,895	34,751	-	489,646
Total capital assets being depreciated, net	311,347			339,247
Governmental activity capital assets, net	\$ 459,692			\$ 487,592

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

General government	\$ 14,338
Culture and recreational	20,413
Total depreciation expense	\$ 34,751

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Notes to the Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 32,652	\$ -	\$ -	\$ 32,652
Construction in progress	205,130	39,150	-	244,280
Total capital assets not being depreciated	237,782	39,150	-	276,932
Capital assets being depreciated:				
Substations, lines, and related equipment	14,001,566	-	-	14,001,566
Furniture and maintenance equipment	127,827	-	-	127,827
Vehicles	56,354	-	-	56,354
Total capital assets being depreciated	14,185,747	-	-	14,185,747
Less accumulated depreciation for:				
Substations, lines, and related equipment	4,312,826	378,389	-	4,691,215
Furniture and maintenance equipment	114,605	3,140	-	117,745
Vehicles	56,354	-	-	56,354
Total accumulated depreciation	4,483,785	381,529	-	4,865,314
Total capital assets being depreciated, net	9,701,962			9,320,433
Business-type activities capital assets, net	\$ 9,939,744			\$ 9,597,365

5. Construction commitments

The Town has active construction projects as of June 30, 2020. At year-end the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
NCHFA 2017 ESFRLP-DR Project	\$ 46,069	\$ 103,931
2017 CDBG-I Project	244,280	1,720,720
Total	\$ 290,349	\$ 1,824,651

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Columbia is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of

Town of Columbia Notes to the Financial Statements

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Columbia 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 Columbia'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 Columbia were \$20,070 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$43,422 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

Town of Columbia
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proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00159%, which was a decrease of 0.00130% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$24,630. 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	\$ 7,435	\$ -
Changes of assumptions	7,077	-
Net difference between projected and actual earnings on pension plan investments	1,059	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,092	1,159
Employer contributions subsequent to the measurement date	20,070	-
Total	\$ 42,733	\$ 1,159

\$20,070 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	\$ 10,943
2022	4,374
2023	5,275
2024	912
2025	-
Thereafter	-
Total	\$ 21,504

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

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

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

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

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

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

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	100.0%	

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

Town of Columbia
Notes to the Financial Statements

be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 99,313	\$ 43,422	\$ (3,036)

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

b. Other Post employment Benefit

Healthcare Benefits

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

Benefits Provided. This plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. The Town Board may amend the benefit provisions. A separate report was not issued for the plan. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

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	General Employees
Retirees and dependents receiving benefits	4
Active plan members	6
Total	10

Total OPEB Liability

The Town's total OPEB liability of \$567,864 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General employees	3.50 percent to 7.75 percent
Municipal bond index rate	
Prior measurement date	3.89 percent
Measurement date	3.50 percent
Healthcare trends	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026
Medicare	5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021
Dental	4.00 percent
Vison	2.50 percent

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

Town of Columbia
Notes to the Financial Statements

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$	452,087
Changes for the year		
Service Cost		13,733
Interest		17,088
Differences between expected and actual experience		114,239
Changes in assumptions or other inputs		(3,433)
Benefit payments and implicit subsidy credit		(25,850)
Net changes		115,777
Balance at June 30, 2020	\$	567,864

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale Mp2015.Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results for an actuarial experience study for the period January 2010 through December 2014.

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

	Discount Rate		
	1% Decrease	3.50%	1% Increase
Total OPEB liability	\$ 654,854	\$ 567,864	\$ 497,904

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 495,162	\$ 567,864	\$ 659,335

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$44,429. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Town of Columbia
Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,978	\$ -
Changes of assumptions	-	38,832
Benefit payments and administrative costs made subsequent to the measurement date	35,190	-
Total	\$ 125,168	\$ 38,832

\$35,190 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ 13,608
2022	13,608
2023	16,270
2024	7,660
2025	-
Thereafter	-
Total	\$ 51,146

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Town of Columbia
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3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$	20,070
Benefit payments and administrative expenses for OPEB made subsequent to measurement date		35,190
Differences between expected and actual experience		97,413
Changes of assumptions		7,077
Net difference between projected and actual earnings on pension plan investments		1,059
Changes in proportion and differences between employer contributions and proportionate share of contributions		7,092
Total	\$	167,901

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	\$ -	\$ 45,258
Prepaid taxes (General Fund)	1,890	1,890
Changes of assumptions	38,832	-
Differences between expected and actual experience	1,159	-
Total	\$ 41,881	\$ 47,148

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three 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 \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has as 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.

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The Town does not carry any flood insurance because the benefit of carrying flood insurance does not outweigh the costs of carrying flood insurance.

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 commercial surety bond. The finance officer and tax collector are each individually bonded for \$125,000. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

5. Long-Term Obligations

a. Installment Purchase

In March 2011, the Town entered into a \$245,701 direct placement contract to finance construction of a water well. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 20 annual principal payments of \$12,199 beginning in May 2011. The interest rate is 0%.

Annual debt payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Business-type Activities Principal
2021	\$ 12,199
2022	12,199
2023	12,199
2024	12,199
2025	12,199
2026-2030	60,991
Total	\$ 121,986

At June 30, 2020, the Town of Columbia had a legal debt margin of \$4,333,870.

b. Revenue Bonds

\$2,200,000 Water and Sewer Revenue Bonds, Series 2014, issued for water and sewer system improvements. Principal installments are due annually on June 1 with annual interest payments due on June 1, at an annual interest rate of 3.25%.	\$ 2,040,000
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Town of Columbia
Notes to the Financial Statements

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 35,000	\$ 66,300
2022	36,000	65,162
2023	38,000	63,993
2024	39,000	62,758
2025	40,000	61,490
2026-2030	221,000	287,072
2031-2035	260,000	248,658
2036-2040	305,000	203,613
2041-2045	357,000	150,768
2046-2050	421,000	88,757
2051-2055	288,000	18,914
Total	\$ 2,040,000	\$ 1,317,485

The Town is not in compliance with the covenants as to service charges in Section 5.01 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series, 2014. Section 5.01 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:

Operating revenues	\$ 509,485
Operating expenses *	544,699
Operating income	(35,214)
Nonoperating revenues (expenses) **	135,709
Income available for debt service	100,495
Debt service, principal and interest paid (revenue bond only)	101,300
Debt service coverage ratio	99%

* Per rate covenants, this does not include the depreciation expense of \$381,529

** Per rate covenants, this does not include the revenue bond interest paid of \$67,300

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,200,000 in water and sewer revenue bonds issued in May 2014. Proceeds from the bonds provided financing for improvements to the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2053. Annual principal and interest payments on the bonds are expected to require less than 6% net revenues. The total principal and interest remaining to be paid on the bonds is \$3,357,485. Principal and interest paid for the current year and total customer net revenues were \$101,300 and \$(35,214), respectively.

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c. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 6,990	\$ -	\$ 1,029	\$ 5,961	\$ 1,490
Total OPEB liability	265,398	79,322	-	344,720	-
Net pension liability (LGERS)	38,422	-	7,473	30,949	-
Governmental activity long-term liabilities	\$ 310,810	\$ 79,322	\$ 8,502	\$ 381,630	\$ 1,490
Business-type activities:					
Direct placement installment purchase	\$ 134,185	\$ -	\$ 12,199	\$ 121,986	\$ 12,199
Revenue bonds	2,074,000	-	34,000	2,040,000	35,000
Compensated absences	2,787	1,576	-	4,363	1,091
Total OPEB liability	186,689	36,455	-	223,144	-
Net pension liability (LGERS)	30,139	-	17,666	12,473	-
Business-type activity long-term liabilities	\$ 2,427,800	\$ 38,031	\$ 63,865	\$ 2,401,966	\$ 48,290

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

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 487,592	\$ 9,597,365
less: long-term debt	-	2,161,986
Net investment in capital assets	\$ 487,592	\$ 7,435,379

D. Fund Balance

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

Total fund balance - General Fund	\$ 858,534
Less:	
Stabilization by State Statute	52,610
Working Capital / Fund Balance Policy	145,193
Remaining Fund Balance	660,731

The Town of Columbia has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

NOTE III –SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor



Town of Columbia
Notes to the Financial Statements

agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE IV –DISCLOSURE OF CONTINGENT RECEIVABLE

Through a CDBG-SBEA grant, the Town has provided funding to a business to expand its operations. According to the grant, if the expansion does not result in the creation of a given amount of jobs, certain portions of the funds must be repaid to the Town. The probability of this occurring cannot be determined at this time and cannot be reasonably estimated. Therefore, this has not been reflected in the financial statements.

NOTE V –RESTATEMENTS

Prior Period Adjustment

During the fiscal year ended June 30, 2020, the Town determined that CDBG-Infrastructure Grant Project Fund revenues and expenses of \$205,130 and a transfer from the Water and Sewer Fund of \$101 were not reported in the proper period. Subsequently, construction in progress for \$205,130 was not recorded in the Water and Sewer Fund. Therefore, an adjustment to beginning net position has been recorded to account for those expenses, the net effect of which increased beginning net position by \$205,231.

NOTE VI –COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Absent any government order or contagion of its workforce, the Town plans to continue its normal operations while taking all reasonable efforts to protect its citizens and employee. The Town's financial position and results of operations as of and for the fiscal year ended June 30, 2020 have not been materially impacted with this pandemic through that date. However, the Town cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact its future financial statements through the distribution of intergovernmental revenues by the State of North Carolina and collection of property and vehicle taxes. The Town received CARES Act funds passed through from Tyrrell County in September 2020 totaling \$71,509.

Town of Columbia
Local Government Employees' Retirement System
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability (Asset)
Last Seven Fiscal Years
Schedule 1

	2020	2019	2018	2017	2016	2015	2014
Columbia's proportion of the net pension liability (asset) (%)	0.00159%	0.00289%	0.00279%	0.00286%	0.00259%	-0.00206%	-0.00230%
Columbia's proportion of the net pension liability (asset) (\$)	\$ 43,422	\$ 68,561	\$ 42,623	\$ 60,699	\$ 11,624	\$ (11,370)	\$ 27,724
Columbia's covered-employee payroll	\$ 268,437	\$ 267,290	\$ 247,858	\$ 194,328	\$ 184,578	\$ 168,853	\$ 168,853
Columbia's proportionate share of the net position liability (asset) as a percentage of its covered-employee payroll	16.18%	25.65%	17.20%	31.24%	6.30%	-6.73%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Town of Columbia
Local Government Employees' Retirement System
Required Supplementary Information
Schedule of Town Contributions
Last Seven Fiscal Years
Schedule 2

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 20,070	\$ 20,804	\$ 19,991	\$ 17,970	\$ 16,395	\$ 16,972	\$ 15,788
Contributions in relation to the contractually required contribution	20,070	20,804	19,991	17,970	16,395	16,972	15,788
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Columbia's covered-employee payroll	\$ 224,247	\$ 268,437	\$ 267,290	\$ 247,858	\$ 194,328	\$ 184,578	\$ 168,853
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.48%	7.25%	8.44%	9.20%	9.35%

Town of Columbia
Other Postemployment Benefits
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Schedule 3

Total OPEB Liability	2020	2019	2018
Service cost	\$ 13,733	\$ 14,720	\$ 16,942
Interest	17,088	16,074	14,323
Changes of benefit terms	-	-	-
Differences between expected and actual experience	114,239	1,172	1,899
Changes of assumptions	(3,433)	(24,415)	(43,625)
Benefit payments	(25,850)	(13,866)	(13,866)
Net change in total OPEB liability	115,777	(6,315)	(24,327)
Total OPEB liability - beginning	452,087	458,402	482,729
Total OPEB liability - ending	\$ 567,864	\$ 452,087	\$ 458,402
Covered payroll	224,247	268,437	267,290
Total OPEB liability as a percentage of covered payroll	253.23%	168.41%	171.50%

Notes to the Schedule

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

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

Town of Columbia
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020
Schedule 4

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 320,670	
Interest		7,456	
Total	\$ 280,592	328,126	\$ 47,534
Other taxes and licenses:			
Privilege licenses		1,840	
Total	1,500	1,840	340
Unrestricted intergovernmental:			
Local option sales taxes		113,429	
Payments in lieu of taxes		3,598	
Telecommunications sales tax		7,502	
Utility sales tax		42,660	
Piped natural gas sales tax		2,195	
Video franchise fee		20,469	
Beer and wine tax		3,583	
Total	151,695	193,436	41,741
Restricted intergovernmental:			
Powell Bill allocation		23,278	
FEMA reimbursement		50,290	
Total	67,027	73,568	6,541
Permits and fees:			
Building and inspection permits		9,112	
Tax collection fees		2,289	
Total	9,175	11,401	2,226
Sales and services:			
Miscellaneous		9,728	
Total	5,400	9,728	4,328
Investment earnings	9,000	17,889	8,889
Total revenues	524,389	635,988	111,599

Town of Columbia
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020
Schedule 4

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		18,350	
Board member expenses		706	
Total	19,306	19,056	250
Administration:			
Salaries and employee benefits		218,572	
Professional fees		31,937	
Operating expenditures		37,887	
Reimbursement - proprietary funds		(80,000)	
Total	271,707	208,396	63,311
Public building and grounds:			
Operating expenditures		9,630	
Total	17,500	9,630	7,870
Total general government	308,513	237,082	71,431
Transportation:			
Street and highways:			
Salaries and employee benefits		37,403	
Street lights		42,674	
Operating expenditures		96,757	
Total	198,993	176,834	22,159
Total transportation	198,993	176,834	22,159
Public Safety:			
Fire:			
Fire Department		29,884	
Total	31,884	29,884	2,000
Sheriff:			
Sheriff Department		96,366	
Total	96,366	96,366	-
Total public safety	128,500	126,250	2,250

Town of Columbia
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020
Schedule 4

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Mosquito control:			
Operating expenditures		2,415	
Total	6,850	2,415	4,435
Total environmental protection	6,850	2,415	4,435
Culture and recreation:			
Parks and recreation:			
Hurricane cleanup project		53,597	
Pre-Hurricane expenditures		10,457	
Operating expenditures		13,967	
Capital outlay		100	
Total	83,109	78,121	4,988
Total cultural and recreational	83,109	78,121	4,988
Total expenditures	725,965	620,702	105,263
Revenues over (under) expenditures	(201,576)	15,286	216,862
Fund balance appropriated	201,576	-	(201,576)
Net change in fund balance	\$ -	15,286	\$ 15,286
Fund balance, beginning		843,249	
Fund balance, ending		\$ 858,535	

Town of Columbia
NCHFA – 2017 ESFRLP-DR Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020
Schedule 5

	Project	Prior	Actual	Total	Variance
	Authorization	Years	Current	to Date	Positive
			Year		(Negative)
Revenues:					
Restricted intergovernmental:					
NC Housing Finance Agency	\$ 150,000	\$ -	\$ 46,069	\$ 46,069	\$ (103,931)
Total revenues	150,000	-	46,069	46,069	(103,931)
Expenditures:					
Current:					
Economic and physical development	150,000	-	46,069	46,069	103,931
Total expenditures	150,000	-	46,069	46,069	103,931
Revenue over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Columbia
Water and Sewer Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non- GAAP)
For the Year Ended June 30, 2020
Schedule 6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 506,745	
Water and sewer taps		2,740	
Total operating revenues	\$ 681,334	509,485	\$ (171,849)
Nonoperating revenues:			
Public Safety grant		113,604	
Miscellaneous		6,258	
Investment earnings		15,847	
Total nonoperating revenues	21,050	135,709	114,659
Total revenues	702,384	645,194	(57,190)
Expenditures:			
Water and sewer administration:			
Postage and telephone		5,956	
Office supplies		854	
Operating supplies		48,700	
Other operating expenditures		80,000	
Total water and sewer administration	145,698	135,510	10,188
Waste treatment plant:			
Salaries and employee benefits		143,266	
Electricity		84,216	
Supplies and repairs		78,987	
Other expenses		105,382	
Total waste treatment plant	471,178	411,851	59,327
Debt service:			
Bond principal and other debt retirements		46,199	
Interest and other charges		67,300	
Total debt service	113,604	113,499	105
Capital outlay:	10,952	-	10,952
Total expenditures	741,432	660,860	80,572
Revenues over (under) expenditures	(39,048)	(15,666)	23,382
Fund balance appropriated	39,048	-	(39,048)
Revenues and fund balance appropriated over (under) expenditures	\$ -	(15,666)	\$ (15,666)

Town of Columbia
Water and Sewer Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non- GAAP)
For the Year Ended June 30, 2020
Schedule 6

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	(15,666)
Reconciling items:	
Bond principal and other debt retirements	46,199
Capital contributions	39,150
(Increase) decrease in compensated absences	(1,576)
Increase (decrease) in deferred outflows of resources - OPEB	37,755
(Increase) decrease in deferred inflows of resources - OPEB	4,662
(Increase) decrease in OPEB liability	(36,455)
Increase (decrease) in deferred outflows of resources - pensions	(19,213)
(Increase) decrease in net pension liability	17,666
(Increase) decrease in deferred inflows of resources - pensions	(177)
Depreciation	(381,529)
Total reconciling items	(293,518)
Changes in net position	\$ (309,184)

Town of Columbia

Community Development Block Grant – Infrastructure Project Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non- GAAP)
From Inception and For the Year Ended June 30, 2020
Schedule 7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Community Development Block Grant	\$ 1,965,000	\$ 205,130	\$ 39,150	\$ 244,280	\$ (1,720,720)
Total revenues	1,965,000	205,130	39,150	244,280	(1,720,720)
Expenditures:					
Current:					
Economic and physical development:					
C-1 Sewer Improvements	1,768,500	91,350	39,150	130,500	1,638,000
C-1 Administration	196,500	113,780	-	113,780	82,720
Total expenditures	1,965,000	205,130	39,150	244,280	1,720,720
Revenue over (under) expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	-	101	-	101	101
Total other financing sources (uses)	-	101	-	101	101
Revenue and other sources over (under) expenditures	\$ -	\$ 101	\$ -	\$ 101	\$ 101

Town of Columbia
Schedule of Ad Valorem Taxes Receivable
June 30, 2020
Schedule 8

Fiscal Year	Uncollected Balance		Collections and Credits	Uncollected
	June 30, 2019	Additions		Balance
	June 30, 2019	Additions	and Credits	June 30, 2020
2019-2020	\$ -	\$ 325,582	\$ 304,925	\$ 20,657
2018-2019	12,340	3,642	7,177	8,805
2017-2018	11,649	3,642	6,624	8,667
2016-2017	1,596	10,263	(199)	12,058
2015-2016	3,950	-	(3,108)	7,058
2014-2015	2,609	-	610	1,999
2013-2014	2,197	-	400	1,797
2012-2013	1,142	-	(165)	1,307
2011-2012	3,937	-	170	3,767
2010-2011	6,420	-	2,280	4,140
2009-2010	4,843	-	4,843	-
Totals	\$ 50,683	\$ 343,129	\$ 323,557	\$ 70,255
Less allowance for uncollectible accounts:				
General Fund				23,108
Ad valorem taxes receivable - net				\$ 47,148
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 328,126
Reconciling items:				
Interest collected				(7,456)
Adjustment				(1,889)
Taxes written off				4,776
Subtotal				(4,569)
Total collections and credits				\$ 323,557

Town of Columbia
Analysis of Current Tax Levy – Town Wide Levy
For the Fiscal Year Ended June 30, 2020
Schedule 9

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year rate	\$ 53,714,975	0.601	\$ 322,827	\$ 301,426	\$ 21,401
Discoveries	1,212,146	0.601	7,285	7,285	-
Abatements	(753,744)	0.601	(4,530)	(4,530)	-
Total property valuation	54,173,378				
Net levy			325,582	304,181	21,401
Unpaid (by taxpayer) taxes at June 30, 2020			(20,657)	(20,657)	-
Current year's taxes collected			\$ 304,925	\$ 283,524	\$ 21,401
Current levy collection percentage			93.66%	93.21%	100.00%



**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On
An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Honorable Mayor and
The Board of Aldermen
Town of Columbia, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Columbia, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Columbia's basic financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Columbia'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 Columbia'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 were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 20-01 through 20-05 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 20-06 and 20-07 to be significant deficiencies.

Compliance and Other Matters

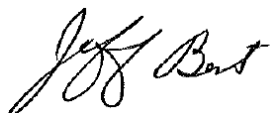
As part of obtaining reasonable assurance about whether the Town of Columbia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 20-08.

Town of Columbia's Response to Findings

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

Purpose of this Report

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



Belhaven, North Carolina
June 29, 2021

Material Weaknesses

20-01 Improper Billing

- Criteria: The Town should have a procedure in place to ensure that utility customers are billed at the correct rate.
- Condition: The Town did not charge utility customers the rates determined by the Board of Alderman.
- Effect: Utility Customers were billed at an incorrect rate from July 1, 2019 to July 31, 2019. The financial statements were misstated.
- Cause: The Town did not enter the adjusted billing rate for utility customers as approved by the Board of Alderman prior to the billing process therefore July's billing was calculated at the old rates.
- Recommendation: The Town should implement a procedure to ensure that the billing rates are adjusted to the Board of Alderman's approved rate.
- Auditee's response: The Town agrees with this finding and implemented the recommendation.

20-02 Improper Recording

- Criteria: Revenues and expenditures should be recorded in the correct account.
- Condition: Revenues and expenditures for the Town's 2017 CDBG-I project were recorded in incorrect accounts.
- Effect: The Town's financial statements were materially misstated.
- Cause: The Town recorded revenues and expenditures to the expenditure accounts, effectively zeroing out the expenditure accounts and not reporting the revenue.
- Recommendation: We recommend the Town thoroughly review all its revenues and expenditures for grant projects to ensure they are properly coded in the correct account. We recommend that the general ledger be reviewed periodically to determine when revenues and expenditures are incorrectly recorded.
- Auditee's response: The Town agrees with this finding and implemented the recommendation.

Town of Columbia
Schedule of Findings and Responses
June 30, 2020

20-03 Improper Recording

<u>Criteria:</u>	Revenues and expenditures should be recorded in the correct fund.
<u>Condition:</u>	Revenues and expenditures for the Town's 2017 ESFRLP-DR project were recorded in an incorrect fund.
<u>Effect:</u>	The Town's financial statements were materially misstated.
<u>Cause:</u>	The Town wasn't aware the project should be recorded in its own fund. Project revenues and expenditures were recorded in the General Fund.
<u>Recommendation:</u>	We recommend the Town thoroughly review all its revenues and expenditures for grant projects to ensure they are properly coded in the correct fund. We recommend that the general ledger be reviewed periodically to determine when revenues and expenditures are incorrectly recorded.
<u>Auditee's response:</u>	The Town agrees with this finding and implemented the recommendation.

20-04 Prior Period Adjustment – Community Development Block Grant-Infrastructure not Recorded Properly

<u>Criteria:</u>	The Town should review their accounting records to ensure all revenues and expenditures are recorded in the proper period.
<u>Condition:</u>	Revenues and expenditures for the Town's 2017 CDBG-I project for the year ended June 30, 2019 were not recorded in proper period.
<u>Effect:</u>	The Town's financial statements were misstated.
<u>Cause:</u>	Although the Town did not receive the CDBG revenue until the 2019-2020 fiscal year, they incurred the expenses during the 2018-2019 fiscal year. The Town should have made the entries to their books to account for the grant revenue and expenditures. The audit report should have reflected the project fund activity.
<u>Recommendation:</u>	We recommend the Town thoroughly review all its revenues and expenditures for grant projects to ensure they are properly recorded in the correct period.
<u>Auditee's response:</u>	The Town agrees with this finding and implemented the recommendation.

20-05 Timely Financial Reporting

<u>Criteria:</u>	The Town should have a system in place to ensure the timeliness of financial reporting.
<u>Condition:</u>	Effective financial reporting requires timely access to information for management and other users of the financial statements.
<u>Effect:</u>	The Town's management and other users of the financial statements do not have timely information for decision-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements.
<u>Cause:</u>	Fund revenue and expenditures were not properly booked by the Town, causing a delay in obtaining a complete trial balance.
<u>Recommendation:</u>	We recommend the Town thoroughly review all its revenues and expenditures for grant projects to ensure they are properly recorded.
<u>Auditee's response:</u>	The Town agrees with this finding and implemented the recommendation.

Significant Deficiencies

20-06 Incorrect Billing Code

<u>Criteria:</u>	The Town should have a procedure in place to ensure that utility customers are billed for the correct service.
<u>Condition:</u>	The Town did not bill the correct rate for the service a utility customer received as determined by the Board of Alderman.
<u>Effect:</u>	A Utility Customer was billed the incorrect rate for the service received. The financial statements were misstated.
<u>Cause:</u>	The Town did not enter the correct billing rate for the services a utility customer received as approved by the Board of Alderman therefore the customer was billed incorrectly.
<u>Recommendation:</u>	The Town should implement a procedure to ensure that the correct rate is entered for the services received.
<u>Auditee's response:</u>	The Town agrees with this finding and implemented the recommendation.

20-07 Segregation of Duties

<u>Criteria:</u>	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.
<u>Condition:</u>	There is a lack of segregation of duties among Town personnel in the cash receipts and governmental fund receipts, revenues, and receivables functions.
<u>Effect:</u>	Transactions could be mishandled.
<u>Cause:</u>	There are a limited number of personnel for certain functions.
<u>Recommendation:</u>	The duties should be separated as much as possible and alternative controls should be used to compensate for the lack of separation.
<u>Auditee's response:</u>	The Town agrees with this finding. The Town will work to develop procedures to segregate duties as much as possible.

Noncompliance

20-08 Compliance with Covenants

<u>Criteria:</u>	Section 5.01 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014, requires the debt service coverage ratio to be no less than 110%.
<u>Condition:</u>	Income available for debt service fell well below the required threshold.
<u>Effect:</u>	The Town is not compliant with covenants and may be viewed as not able to meet their debt obligations.
<u>Cause:</u>	The combination of increased expenditures and LGERS obligations reduced the debt threshold.
<u>Recommendation:</u>	The Town should review this ratio periodically throughout the fiscal year to avoid reoccurrence.
<u>Auditee's response:</u>	The Town agrees with this finding. The Town will work to develop procedures to segregate duties as much as possible.