

TOWN OF CONWAY
CONWAY, NORTH CAROLINA
JUNE 30, 2020

**REPORT ON
TOWN OF CONWAY, NORTH CAROLINA
YEAR ENDED JUNE 30, 2020**

MAYOR

TOMMY BARRETT

TOWN ADMINISTRATOR, TREASURER AND TAX COLLECTOR

NANCY JENKINS

COMMISSIONERS

STEWART WOODARD

LEE DUKE

GAIL C. WADE

LOKIE MAJETTE

WILLIE G. SIMMONS

Town of Conway, North Carolina
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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor
And Members of the Town of Conway
Conway, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Conway, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Conway'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. 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, each major fund, and the aggregate remaining fund information of Town of Conway, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on page 29, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on page 30, Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 31 and 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 to 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 Conway, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Johnson, McLean & Company
Murfreesboro, North Carolina

January 27, 2021

Management's Discussion and Analysis

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

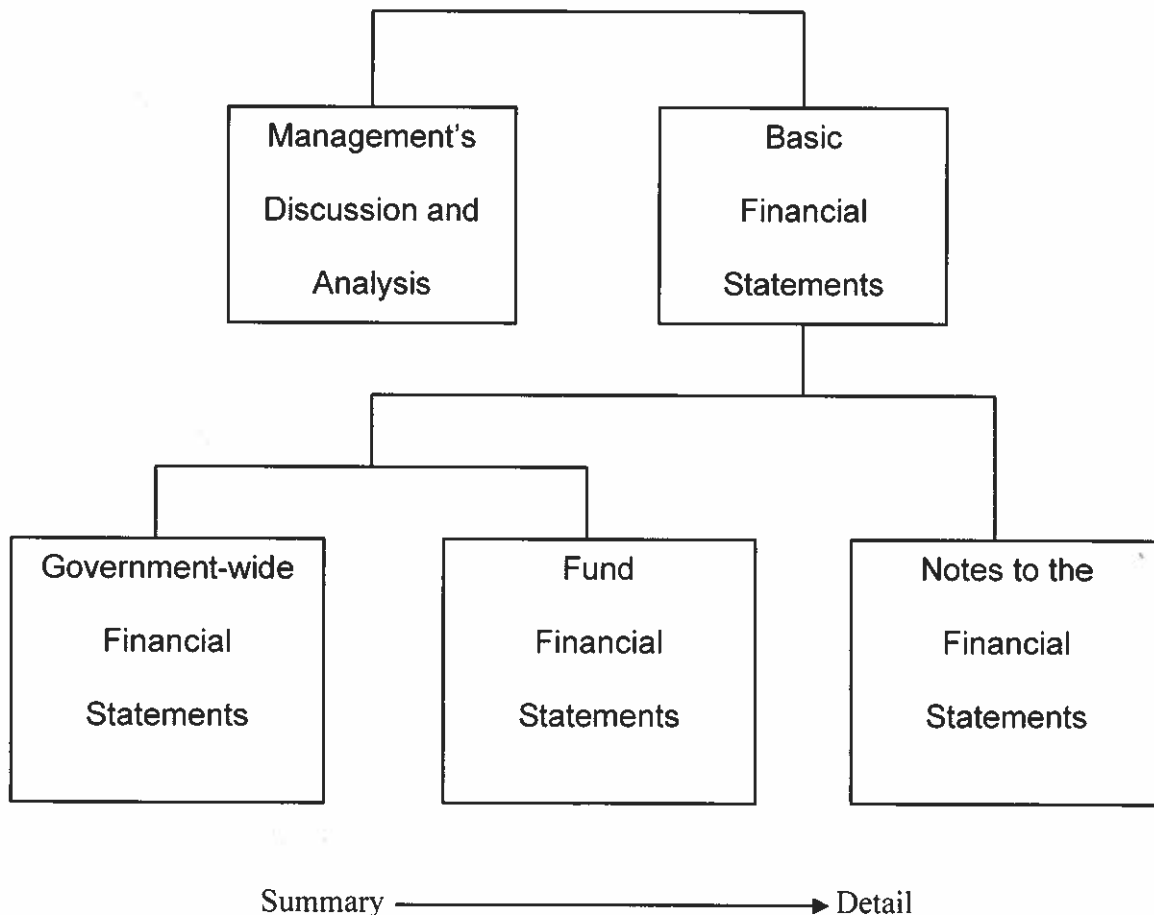
- The assets of the Town of Conway exceeded its liabilities at the close of the fiscal year by \$5,107,592(*net position*).
- The government's total net position decreased by \$109,679 during the year. The governmental activities net position decreased by \$22,291 and there was a decrease in net position of \$87,388 for the business-type activities during the year.
- As of the close of the current fiscal year, the Town of Conway's governmental funds reported combined ending fund balances of \$636,050 an increase of \$4,288 in comparison with the prior year. Approximately 61 percent of this total amount or \$388,745 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$388,745, or 68 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through H) 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

Management Discussion and Analysis

Town of Conway

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 they have changed. Net position are the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Conway, 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 Conway 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

Management Discussion and Analysis
Town of Conway

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

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

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

Management Discussion and Analysis
Town of Conway

Government-Wide Financial Analysis

The Town of Conway's Net position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 730,823	\$ 728,705	\$ 1,225,491	\$ 1,267,221	\$ 1,956,314	\$ 1,995,926
Capital assets	463,440	479,852	3,424,496	3,625,226	3,887,936	4,105,078
Total assets	1,194,263	1,208,557	4,649,987	4,892,447	5,844,250	6,101,004
Deferred Outflows of Resources:						
OPEB deferrals	976	-	525	-	1,501	-
LEO deferrals	971	1,067	-	-	971	1,067
Pension deferrals	49,812	51,147	26,822	30,039	76,634	81,186
Total deferred outflows of resources	51,759	52,214	27,347	30,039	79,106	82,253
Liabilities:						
Long-term liabilities outstanding	92,802	90,872	459,000	531,423	551,802	622,295
Other liabilities	122,769	81,105	115,315	81,380	238,084	162,485
Total liabilities	215,571	171,977	574,315	612,803	789,886	784,780
Deferred inflows of resources:						
LEO deferrals	-	24,000	-	-	-	24,000
Prepaid Taxes	-	960	-	-	-	960
Pension deferrals	25,878	248	-	146	25,878	394
Total deferred inflows of resources	25,878	25,208	-	146	25,878	25,354
Net positions:						
Invested in capital assets, net of related debt	463,440	479,852	2,955,131	3,023,882	3,418,571	3,503,734
Restricted	104,749	82,634	-	-	104,749	82,634
Unrestricted	436,384	501,100	1,147,888	1,187,550	1,584,272	1,688,650
Total Net positions	\$ 1,004,573	\$ 1,063,586	\$ 4,103,019	\$ 4,211,432	\$ 5,107,592	\$ 5,275,018

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Conway exceeded liabilities by \$5,107,592 as of June 30, 2020. The Town's net position decreased by \$109,679 for the fiscal year ended June 30, 2020. Sixty six percent (66.9%), \$3,418,571, reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Conway uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Conway's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Conway net position (2.1%) represents resources that are subject to external restrictions in how they may be

Management Discussion and Analysis

Town of Conway

used. The remaining balance of the Town of Conway's net position \$1,584,272 (31%) is unrestricted.

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

- Continued low amounts of debt for the governmental activities of the Town.

Town of Conway Changes in Net position

Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,063	\$ 4,200	\$ 416,481	\$ 394,014	\$ 417,544	\$ 398,214
Operating grants and contributions	27,292	28,474	-	-	27,292	28,474
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	252,775	251,986	-	-	252,775	251,986
Other taxes	293,575	290,939	-	-	293,575	290,939
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	3,657	22,687	7,007	1,709	10,664	24,396
Total revenues	578,362	598,286	423,488	395,723	1,001,850	994,009
Expenses:						
General government	168,262	141,703	-	-	168,262	141,703
Public safety	230,305	185,915	-	-	230,305	185,915
Transportation	172,306	196,163	-	-	172,306	196,163
Economic development	4,780	500	-	-	4,780	500
Environmental Protection	12,683	19,645	-	-	12,683	19,645
Culture and recreation	12,317	6,638	-	-	12,317	6,638
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	510,876	474,063	510,876	474,063
Total expenses	600,653	550,564	510,876	474,063	1,111,529	1,024,627
Increase in net positions before transfers	(22,291)	47,722	(87,388)	(78,340)	(109,679)	(30,618)
Transfers	-	-	-	-	-	-
Increase (decrease) in net positions	(22,291)	47,722	(87,388)	(78,340)	(109,679)	(30,618)
Net assets, July 1	1,063,582	1,015,864	4,211,432	4,289,772	5,275,014	5,305,637
Restatement of previous year	(36,718)	-	(21,025)	-	(57,743)	-
Net position, June 30	\$ 1,004,573	\$ 1,063,586	\$ 4,103,019	\$ 4,211,432	\$ 5,107,592	\$ 5,275,019

Management Discussion and Analysis

Town of Conway

Governmental activities - Governmental activities decreased the Town's net position by \$22,291. Revenues were \$19,924 less than the prior year and expenditures increased by \$50,089.

Business-type activities: Business-type activities decreased the Town of Conway's net position by \$87,388. Revenues were \$27,765 more than the prior year and expenditures increased by \$36,813 as compared to the previous year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Conway'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 Conway's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Conway. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$388,745, while total fund balance was \$636,050. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 68 percent of total General Fund expenditures while total fund balance represents 110 percent of the same amount.

At June 30, 2020, the governmental funds of Town of Conway reported a combined fund balance of \$631,764 a 0.7% increase from last year. The increase is completely from the General Fund.

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

Revenues were \$18,424 more than budget and expenditures were \$72,623 less than budget. The Town had revenue over expenditures of \$4,288. The Town was within budgeted amounts for all departments.

Proprietary Funds. The Town'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 \$1,147,888. The total net position was reduced \$87,388 during the year. Other factors concerning the

Management Discussion and Analysis
Town of Conway

finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Conway's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$3,887,936 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

The town had increases of \$3,214 for furniture and equipment and \$24,200 for vehicles for the business-type activities. The governmental activities had increases of \$1,607 for equipment and \$13,000 for vehicles. Governmental activities had disposals of \$30,061 for equipment and \$23,219 for vehicles, all of the assets were fully depreciated.

Town of Conway's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Governmental Activities		Business-type Activities		Business-type Activities		Total	Total
	2020		2019		2020		2019		2020	2019
Land	\$	79,068	\$	79,068	\$	138,202	\$	138,202	217,270	217,270
Construction in Progress		-		-		-		-	-	-
Buildings and systems		184,227		192,794		3,210,913		3,344,709	3,395,140	3,537,503
Machinery and equipment		28,601		35,361		35,857		37,982	64,458	73,343
Infrastructure		152,901		164,631		-		-	152,901	176,362
Vehicles and motorized equipment		18,643		7,998		39,524		15,023	58,167	23,021
Total	\$	463,440	\$	479,852	\$	3,424,496	\$	3,535,916	\$ 3,887,936	\$ 4,027,499

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

Management Discussion and Analysis
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Long-term Debt. During the 2015 year the Town incurred an installment note payable obligation for \$727,124 to finance phase II of waste water infrastructure improvements. Payments were made during the year of \$42,670 which left a balance of \$469,365 at June 30, 2020. The amount due in one year is \$42,668. This obligation is covered in Note 5 of the financial statements.

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 Conway is \$3,810,362. The Town has \$ 0 in bonds authorized but un-issued at June 30, 2020.

Economic Factors and Next Year's Budgets and Rates

The following indicators reflect Conway and the surrounding area economic condition.

- High unemployment. No significant jobs have been created.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes remained the same at 47 cents per \$100 valuation.

Budgeted expenditures in the General Fund were set at \$685,171 to start the year compared to the final 2020 expenditures of \$576,188.

Business – type Activities: Budgeted expenditures to start the year were set at \$470,618 for the water and sewer fund.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Nancy Jenkins, P.O. Box 365, Conway, NC 27820, and phone (252) 585-0488.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 81,904	\$ 725,281	\$ 807,185
Restricted cash	66,282	-	66,282
Investments	477,568	453,621	931,189
Taxes receivables (net)	48,823	-	48,823
Accrued interest receivable on taxes	17,779	-	17,779
Accounts receivable (net)	38,467	46,589	85,056
Total current assets	730,823	1,225,491	1,956,314
Capital assets (Note 1):			
Land, non-depreciable improvements	79,068	138,203	217,271
Other capital assets, net of depreciation	384,372	3,286,293	3,670,665
Total capital assets	463,440	3,424,496	3,887,936
Total assets	1,194,263	4,649,987	5,844,250
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	976	525	1,501
Pension deferrals	49,812	26,822	76,634
LEO deferrals	971	-	971
Total deferred outflows	51,759	27,347	79,106
LIABILITIES			
Current liabilities:			
Accounts payable & accrued liabilities	13,771	1,618	15,389
Unearned revenue	1,563	-	1,563
Due to General Fund	12,837	(12,837)	-
OPEB liability	85,254	47,015	132,269
Accrued vacation pay	9,344	3,980	13,324
Customer deposits	-	32,869	32,869
Notes payable - current	-	42,670	42,670
Total current liabilities	122,769	115,315	238,084
Long-term liabilities:			
Total pension liability (LEO)	32,802	-	32,802
Net pension liability	60,000	32,305	92,305
Notes payable - non-current	-	426,695	426,695
Total long-term liabilities	92,802	459,000	551,802
Total liabilities	215,571	574,315	789,886
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	-	-
Pension deferrals	25,878	-	25,878
Total deferred inflows of resources	25,878	-	25,878
NET POSITION			
Net invested in capital assets, net of related debt	463,440	2,955,131	3,418,571
Restricted for:			
Stabilization by State statute	38,467	-	38,467
Street	66,282	-	66,282
Unrestricted	436,384	1,147,888	1,584,272
Total net position	\$ 1,004,573	\$ 4,103,019	\$ 5,107,592

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	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	\$ 168,262	\$ -	\$ 4,200	\$ -	\$ (164,062)	\$ -	\$ (164,062)	
Public safety	230,305	-	-	-	(230,305)	-	(230,305)	
Transportation	172,306	-	23,092	-	(149,214)	-	(149,214)	
Economic & physical development	4,780	-	-	-	(4,780)	-	(4,780)	
Environmental protection - cemetery lot	12,683	-	-	-	(12,683)	-	(12,683)	
Cultural and recreation	12,317	1,063	-	-	(11,254)	-	(11,254)	
Total governmental activities (See Note 1)	600,653	1,063	27,292	-	(572,298)	-	(572,298)	
Business-type activities:								
Water and sewer	510,876	416,481	-	-	-	(94,395)	(94,395)	
Total business-type activities	510,876	416,481	-	-	-	(94,395)	(94,395)	
Total primary government	\$ 1,111,529	\$ 417,544	\$ 27,292	\$ -	\$ (572,298)	\$ (94,395)	\$ (666,693)	
Taxes:								
Property taxes, levied for general purpose					252,775	-	252,775	
Other taxes					293,575	-	293,575	
Unrestricted investment earnings					1,644	7,007	8,651	
Miscellaneous					2,013	-	2,013	
Total general revenues, special items, and transfers					550,007	7,007	557,014	
Change in net assets					(22,291)	(87,388)	(109,679)	
Net position, beginning - as previously stated					1,063,582	4,211,432	5,275,014	
Restatement					(36,718)	(21,025)	(57,743)	
Net position - restated					1,026,864	4,190,407	5,217,271	
Net position - ending					1,004,573	4,103,019	5,107,592	

**Town of Conway
Balance Sheet
Governmental Funds
June 30, 2020**

	<u>Major Funds</u>		
	<u>General</u>	<u>Non-Major Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 81,904	\$ -	\$ 81,904
Restricted cash - streets	66,282	-	66,282
Investments	477,568	-	477,568
Receivables, net:			
Taxes	48,823	-	48,823
Accounts	38,467	-	38,467
Total assets	<u>\$ 713,044</u>	<u>\$ -</u>	<u>\$ 713,044</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 13,771	\$ -	\$ 13,771
Due to Water & Sewer Fund	12,837	-	12,837
Total liabilities	<u>26,608</u>	<u>-</u>	<u>26,608</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax receivable	\$ 48,823	\$ -	\$ 48,823
Prepaid taxes	1,563	-	1,563
Total deferred inflows of resources	<u>50,386</u>	<u>-</u>	<u>50,386</u>
Fund balances:			
Restricted			
Stabilization by state statute	38,467	-	38,467
Streets	66,282	-	66,282
Assigned			
Designated for subsequent year's expenditures	142,556	-	142,556
Unassigned	388,745	-	388,745
Total fund balances	<u>636,050</u>	<u>-</u>	<u>636,050</u>
Total liabilities and fund balances	<u>\$ 713,044</u>	<u>\$ -</u>	<u>\$ 713,044</u>

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

Town of Conway
Balance Sheet
Governmental Funds
June 30, 2020

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

Total Fund Balance, Governmental Funds	636,050
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	463,440
Deferred outflows of resources related to pensions are not reported in the funds.	49,812
Deferred outflows of resources related to LEO and OPEB are not reported in the funds.	1,947
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	17,779
Liabilities for earned revenues considered deferred by flows of resources in fund statement.	48,823
Net pension liability	(60,000)
Pension liability LEO	(32,802)
OPEB liability	(85,254)
Deferred inflows of resources related to pensions are not reported in the funds.	-
Deferred inflows of resources related to LEO are not reported in the funds.	(25,878)
Other long-term liabilities (accrued vacation) are not due and payable in the current period and therefore are not reported in the funds.	(9,344)
Net position of governmental activities	-
	<u>\$ 1,004,573</u>

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

	<u>Major Funds</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>		
REVENUES			
Ad valorem taxes	\$ 254,889	\$ -	\$ 254,889
Other taxes and licenses	6,832	-	6,832
Unrestricted intergovernmental	286,743	-	286,743
Restricted intergovernmental	23,092	-	23,092
Sales and services	1,063	-	1,063
Investment earnings	1,644	-	1,644
Miscellaneous	6,213	-	6,213
Total revenues	<u>580,476</u>	<u>-</u>	<u>580,476</u>
EXPENDITURES			
Current:			
General government	155,829	-	155,829
Public safety	228,380	-	228,380
Transportation	166,293	-	166,293
Environmental protection	10,741	-	10,741
Economic development	4,780	-	4,780
Culture and recreation	10,165	-	10,165
Total expenditures	<u>576,188</u>	<u>-</u>	<u>576,188</u>
Excess (deficiency) of revenues over expenditures	<u>4,288</u>	<u>-</u>	<u>4,288</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balance	 4,288	 -	 4,288
Fund balances-beginning	631,762	-	631,762
Fund balances-ending	<u>\$ 636,050</u>	<u>\$ -</u>	<u>\$ 636,050</u>

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

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

Net changes in fund balances - total governmental funds	\$ 4,288
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	(16,412)
Contributions to pension plan in current fiscal year are not included in statement of activities	6,432
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	(969)
Accrued interest on tax receivable	(1,145)
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.	15,632
LEO Pension expense	10,641
Compensated absences	4,754
OPEB benefits	(45,512)
Total changes in net position of governmental activities	<u>\$ (22,291)</u>

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 239,500	\$ 250,307	\$ 254,889	\$ 4,582
Other taxes and licenses	6,500	6,500	6,832	332
Unrestricted intergovernmental	275,580	275,580	286,743	11,163
Restricted intergovernmental	23,000	23,000	23,092	92
Sales and services	1,500	1,500	1,063	(437)
Investment earnings	665	665	1,644	979
Miscellaneous	4,500	4,500	6,213	1,713
Total revenues	551,245	562,052	580,476	18,424
Expenditures:				
Current:				
General government	146,137	161,531	155,829	5,702
Public safety	221,340	253,566	228,380	25,186
Transportation	192,014	200,014	166,293	33,721
Environmental protection	15,000	15,000	10,741	4,259
Economic development	2,000	6,500	4,780	1,720
Cultural and recreation	10,700	12,200	10,165	2,035
Total expenditures	587,191	648,811	576,188	72,623
Revenues over (under) expenditures	(35,946)	(86,759)	4,288	91,047
Other financing sources (uses):				
Fund balance appropriated	35,946	86,759	-	(86,759)
Total other financing sources (uses)	35,946	86,759	-	(86,759)
Revenues and other sources over (under) expenditures and other uses	-	-	4,288	4,288
Fund balances, beginning of year	-	-	631,762	-
Fund balances, end of year	\$ -	\$ -	\$ 636,050	-

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

Town of Conway, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2020

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 725,281
Investments	453,621
Accounts receivable (net) - billed	46,589
Due from General Fund	12,837
Total current assets	<u>1,238,328</u>
Capital assets:	
Land and other non-depreciable assets	138,203
Other capital assets, net of depreciation	3,286,293
Capital assets (net)	<u>3,424,496</u>
Total assets	<u>4,662,824</u>
Deferred Outflows of Resources	
Pension deferrals	26,822
OPEB deferrals	525
Total deferred outflows	<u>27,347</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,618
Accrued vacation	3,980
Other post-employment benefits	47,015
Customer deposits	32,869
Notes payable - current	42,670
Total current liabilities	<u>128,152</u>
Non-current liabilities:	
Net pension liability	32,305
Notes payable	426,695
Total non-current liabilities	<u>459,000</u>
Total liabilities	<u>587,152</u>
Deferred Inflows of Resources	
Pension deferrals	-
NET POSITION	
Invested in capital assets, net of related debt	2,955,131
Unrestricted	1,147,888
Total net position	<u>\$ 4,103,019</u>

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

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

	<u>Enterprise Funds</u>
	<u>Water and</u>
	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 408,401
Water and sewer taps	7,975
Other operating revenues	105
Total operating revenues	<u>416,481</u>
OPERATING EXPENSES	
Administration	167,405
Water treatment and distribution	144,351
Waste collection and treatment	60,286
Depreciation	138,834
Total operating expenses	<u>510,876</u>
Operating income (loss)	<u>(94,395)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	7,007
Total nonoperating revenue (expenses)	<u>7,007</u>
Income (loss) before contributions and transfers	<u>(87,388)</u>
Change in net position	(87,388)
Net position - beginning previously reported	4,211,432
Restatement	(21,025)
Net position - restated	<u>4,190,407</u>
Net position - ending	<u>\$ 4,103,019</u>

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

Town of Conway
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 415,728
Cash paid for goods and services	(211,505)
Cash paid to or on behalf of employees for services	(152,076)
Customer deposits received	2,020
Other revenue	-
Net cash provided (used) by operating activities	<u>54,167</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Note payment	(42,670)
Capital outlay	(27,414)
Net cash provided (used) by capital and related financing activities	<u>(70,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>7,007</u>
Net increase (decrease) in cash and cash equivalents	(8,910)
Balances-beginning of the year	1,187,812
Balances-end of the year	<u>\$ 1,178,902</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (94,395)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	138,834
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(753)
(Increase) decrease in deferred outflows - pension	2,692
Increase (decrease) in net pension liability	4,129
Increase (decrease) in deferred inflows - pension	(146)
Increase (decrease) in accounts payable	1,786
Increase in customer deposits	2,020
Net cash provided by operating activities	<u>\$ 54,167</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF CONWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Conway 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 Conway is a municipal corporation that is governed by an elected mayor and a five-member council. It is located in Northeastern North Carolina and has a population of 836.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

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 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.

The Town reports the following non-major governmental fund:

None.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, 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 investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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 .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90-days, they are presented as an investment with a maturity of less than 6-months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. 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 a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$20,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital received prior to June 30, 2016 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2016 are recorded at acquisition value. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	

7. Deferred Outflows/Inflows of Resources

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 only two items that meet the criterion for this category – prepaid taxes and property taxes receivable, and deferrals of pension deferrals.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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 cost, are expensed in the reporting period in which they are incurred. Prepaid insurance cost 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 policies of the Town provide for the accumulation of up to fifteen 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 a maximum accumulation of 60 days earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt, 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 balances can be spent.

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improved and maintain the fiscal health of local government unites. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budget 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 with RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Assigned – This classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2020-2021 budget ordinance.

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

II. Stewardship, Compliance, and Accountability

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

1. Non-compliance with North Carolina General Statutes

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$873,467 and a bank balance of \$900,955. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund and cash on hand totaled \$50.

2. Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Method</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Southern Bank Public Insured M/M	Cost	\$ 926,946	Daily	N/A
NC Cash Management Trust Government	Amortized Cost	4,242	N/A	AAAm

Interest Rate Risk

The Town of Conway does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses resulting from increasing interest rates.

Credit Risks

The Town of Conway has no policy regarding credit risk. The investments are rated as shown above by Standard and Poor's and Moody Investment Services.

Concentration of Credit Risk

The Town places no limit on the amount that the Town may invest in any one issuer. More than 5% of the Town's investments are in securities as follows:

Southern Bank Public Insured M/M	99.54%
----------------------------------	--------

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

Fund	6/30/2020
General Fund:	
Taxes receivable	\$ 2,570
Accounts receivable	-
Total	2,570
Enterprise Funds	-
Total	<u>\$ 2,570</u>

4. Capital Assets

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:	\$ 79,068	\$ -	-	\$ 79,068
Capital assets being depreciated:				
Buildings	398,865	-	-	398,865
Equipment	222,436	1,607	30,061	193,982
Vehicles and motorized equipment	128,637	13,000	23,219	118,418
Infrastructure	260,313	-	-	260,313
Total capital assets being depreciated	1,010,251	14,607	53,280	971,578
Less accumulated depreciation for:				
Buildings	206,071	8,567	-	214,638
Equipment	187,075	8,367	30,061	165,381
Vehicles and motorized equipment	120,639	2,355	23,219	99,775
Infrastructure	95,682	11,730	-	107,412
Total accumulated depreciation	609,467	31,019	53,280	587,206
Total capital assets being depreciated, net	400,784			384,372
Governmental activity capital assets, net	<u>\$ 479,852</u>			<u>\$ 463,440</u>

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

General government	\$ 7,428
Public safety	4,407
Transportation	15,090
Environmental protection	1,942
Recreation	2,152
	<u>\$ 31,019</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	138,202	-	-	138,202
	<u>138,202</u>	<u>-</u>	<u>-</u>	<u>138,202</u>
Capital assets being depreciated:				
Plant and distribution systems	5,510,144	-	-	5,510,144
Furniture and maintenance equipment	285,439	3,214	-	288,653
Vehicles	35,132	24,200	-	59,332
	<u>5,830,715</u>	<u>27,414</u>	<u>-</u>	<u>5,858,129</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,165,435	130,045	(3,751)	2,299,231
Furniture and maintenance equipment	247,457	5,339	-	252,796
Vehicles	20,109	3,450	3,751	19,808
Total accumulated depreciation	<u>2,433,001</u>	<u>\$ 138,834</u>	<u>\$ -</u>	<u>2,571,835</u>
Total capital assets being depreciated, net	<u>3,397,714</u>			<u>3,286,294</u>
Water and Sewer fund capital assets, net	<u>\$ 3,535,916</u>			<u>\$ 3,424,496</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Conway 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 Conway's contractually required contribution rate for the year ended June 30, 2020, was 10.68% 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 Conway were \$28,314 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 \$92,305 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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 0.0038%, which was an increase of 0.00059% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$48,205. 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	\$ 15,805	
Changes of assumptions	15,044	
Net difference between projected and actual earnings on pension plan investments	2,252	
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,476	
Town contributions subsequent to the measurement date	28,057	
Total	<u>\$ 76,634</u>	<u>\$ -</u>

\$81,186 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	22,517
2021		10,057
2022		11,819
2023		4,184
	\$	<u>48,577</u>

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

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

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

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

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

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, 2016 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real

rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension 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 7.20 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 (6.25 percent) or one percentage point higher (8.20 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)	\$ 211,219	\$ 92,305	\$ (6,453)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Conway administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

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

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

Retirees receiving benefits	\$ -
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	2
Total	<u>\$ 2</u>

2. *Summary of Significant Accounting Policies:*

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

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

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

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

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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

At June 30, 2020, the Town reported a total pension liability of \$32,802. The total pension liability was measured as of December 31, 2020 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$2,075.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ 25,624
Changes of assumptions	971	254
County benefit payments and plan administrative expense made subsequent to measurement date		
Total	<u>\$ 971</u>	<u>\$ 25,878</u>

\$971 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflow of Resources	Pension Expense
Year ended June 30:			
2021	\$ 362	\$ 8,753	\$ (8,391)
2022	362	8,753	(8,391)
2023	201	6,266	(6,065)
2024	46	2,106	(2,060)
2025	-	-	-
Thereafter	-	-	-

\$0 paid as benefits came due and \$100 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 33,480	\$ 32,802	\$ 32,091

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

	2019
Beginning balance	\$ 42,896
Service Cost	2,075
Interest on the total pension liability	1,501
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(10,631)
Changes of assumptions or other inputs	266
Benefit payments	(3,305)
Other changes	-
Net change	(10,094)
Total pension liability as of December 31, 2017	\$ 32,802

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	48,205	(4,815)	43,390
Pension Liability	92,305	32,802	125,107
Proportionate share of net pension liability		N/A	
Deferred of Outflows of Resources			
Differences between expected and actual expense	15,805	-	15,805
Change in assumptions	15,044	971	16,015
Net difference between projected and actual earnings on pension plan investments	2,252	-	2,252
Changes in proportion and differences between Town contributions and proportionate share of contribution	15,478	-	15,478
Benefit payments and administrative cost paid subsequent to measurement date	28,057	-	28,057
Deferred of Inflows of Resources			
Differences between expected and actual expense	-	25,624	25,624
Change in assumptions	-	254	254
Net difference between projected and actual earnings on plan investments	-		-
Changes in proportion and differences between Town contributions and proportionate proportionate share of contribution	-		-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$11,550 which consisted of \$5,029 from the Town and \$6,521 from the law enforcement officers.

d. Other Post-employment Benefits (OPEB)

Healthcare Benefits

Plan Description. Under the terms of the Town's resolution, the Town administers a single-employer defined benefit Healthcare Benefits plan (the HCB Plan). As of June 26, 2000, this plan provides:

An employee who retires before age 65 under the provisions set forth under the NC Local Governmental Employees' Retirement System and has completed at least five years of continuous service with the Town of Conway may continue the group health insurance plan coverage until age 65 (or the age of Medicare coverage, whichever comes first) at the retiree rate as established annually by the Board of Commissioners, with the Town sharing the cost based upon length of service with the Town. Dependent coverage would be paid for in full by the retiree. The employee must elect to continue the insurance at the time of retirement to receive the following:

- a) Under 5 years: no health benefits available
- b) 5 years but less than 15 years: health benefits available at the current rate to be paid in full by the retiree
- c) 15 years but less than 20 years: Town will pay 25% of the retiree rate and the retiree will pay the remaining amount
- d) 20 years but less than 25 years: Town will pay 50% of the retiree rate and the retiree will pay the remaining amount
- e) 25 years but less than 30 years: Town will pay 75% of the retiree rate and the retiree will pay the remaining amount
- f) 30 years and more: Town will pay 100% of the retiree rate

Retired employees are no longer eligible to receive this benefit or remain covered by the Town's group medical insurance coverage 1) upon reaching 65 years of age, or 2) upon becoming fully covered by Medicare, or 3) upon the death of the retired employee, or 4) upon the discontinuance of the benefit by the Town and/or the insurance carrier.

Premium payments for said coverage will be paid directly from the Town to the insurance carrier. A retired employee is required to pay his or her portion of the monthly premium no later than the 10th day of the month for the following monthly coverage. Failure to pay the premium within the prescribed time period could result in the discontinuance of the benefit provided by the Town.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	6	-
Total	<u>6</u>	<u>-</u>

Total OPEB Liability

The Town's Total OPEB liability of \$132,269 was measured at December 31, 2019 and was determined by an actual valuation at that date.

Actuarial Assumptions and Other Inputs. The Total OPEB liability in the December 31, 2018 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	2.51 percent
Discount rate	3.18 percent
Healthcare cost trend rate	Medical 7.0%
	Prescription 7.0%
	Admin expense 3.0%

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 121,364
Changes for the year	
Service cost	5,256
Interest	3,859
Changes of assumptions	1,790
Difference between expected and actual expense	-
Benefit payments	-
Net change	<u>10,905</u>
Balance at June 30, 2020	<u>\$ 132,269</u>

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

Mortality rates were based on the RP-2017 Total Data Set for Healthy Annuitants Mortality Table.

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

Sensitivity of the total OPEB liability to 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 (1.74 percent) or 1-percentage point higher (3.74 percent) than the current discount rate:

	<u>1% Decrease (1.74%)</u>	<u>Discount Rate (3.18%) (2.74%)</u>	<u>1% Increase (3.74%)</u>
Total OPEB Liability	\$136,463	\$132,269	\$128,007

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

	Medical - 5.5%, Prescription - 6.25%, Admin Expenses - 2.00%	Discount Rate (Medical - 6.5%, Prescription - 7.25%, Admin Expenses - 3.00%)	Medical - 7.5%, Prescription - 8.25%, Admin Expenses - 4.00%
Total OPEB Liability	\$136,463	\$132,269	\$128,007

e. Other Employment Benefits

The Town provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Government 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 law enforcement officers 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 law enforcement officer's twelve highest month's salary in a row during the twenty-four months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants.

For the fiscal year ended June 30, 2020, the Town made contributions to the State for death benefits of \$69. The Town's required contributions for law enforcement officers represented 0.14 percent of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

2. Deferred /Outflows and Inflows of Resources

Deferred outflows of resources at year-end is composed of the following:

	General Fund	Proprietary
Pension deferrals	\$ 976	\$ 525

Deferred Inflows of resources at year-end is composed of the following:

Property tax receivable	48,823	-
Prepaid property tax	1,563	-
Pension deferrals	-	-
	<u>\$ 50,386</u>	<u>\$ -</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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 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 an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not carry 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 a commercial surety bond. The finance officer and tax collector are each individually bonded for \$150,000 and \$150,000, respectively.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the Town was not a defendant to any lawsuits.

5. Long-Term Obligations

Installment Purchases – Serviced by Sewer Fund

On June 23, 2015 the Town issued a promissory note in the amount of \$727,124 to finance Phase II waste water infrastructure. The financing contract requires principal payment beginning May 1, 2015 with no interest.

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

For Year Ended June 30	Sewer Fund Principal
2020	\$ 42,670
2021	42,670
2022	42,670
2023	42,670
2024	42,670
2025-2029	213,350
2030-2031	42,665
	<u>\$ 469,365</u>

a. Changes in Long-Term Debt

During the year ended June 30, 2020, the following changes occurred in liabilities:

	Balance 07/01/19	Additions	Retirements	Balance 06/30/20	Current Portion
By Type Debt:					
Compensated Absences	\$ 17,127	\$ -	\$ 3,803	\$ 13,324	\$ 3,803
OPEB	63,623	68,646	-	132,269	-
Total Pension Liability LEO	42,896	-	10,094	32,802	-
Net Pension Liability LGERS	76,152	16,153	-	92,305	-
Installment Purchases	512,033	-	42,668	469,365	42,668
Total	<u>\$ 711,831</u>	<u>\$ 84,799</u>	<u>\$ 56,565</u>	<u>\$ 740,065</u>	<u>\$ 46,471</u>
By Function:					
Governmental Activity	\$ 144,712	\$ 57,534	\$ 10,866	\$ 191,380	\$ 772
Business Activity	567,119	27,265	45,699	548,685	45,699
Total	<u>\$ 711,831</u>	<u>\$ 84,799</u>	<u>\$ 56,565</u>	<u>\$ 740,065</u>	<u>\$ 46,471</u>

C. Interfund Balances and Activity

	<u>General Fund</u>	<u>Water & Sewer Fund</u>
Balances Due to/from Other Funds	\$ (12,887)	\$ 12,837

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursed expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

IV. Related Party Transactions

None.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

There have been events which occurred between June 30, 2020 and the date of this report which have significant effect on the Town.

VII. Restatements

Prior Period Adjustment

During the fiscal year ended June 30, 2020, the Town determined from their actuarial report that the OPEB liability had been understated. Therefore, an adjustment to the beginning fund balance in the amount of \$57,743 has been recorded.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Conway
Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/19	-	132,269	132,269	0%	314,008	42.12%
12/31/18	-	127,344	127,344	0%	239,048	47.00%
12/31/17	-	127,344	127,344	0%	270,920	47.00%
12/31/16	-	127,344	127,344	0%	239,048	53.27%
12/31/15	-	127,344	127,344	0%	236,289	53.89%
12/31/14	-	99,403	99,403	0%	240,956	41.25%
12/31/13	-	99,403	99,403	0%	212,469	46.78%
12/31/12	-	90,403	90,403	0%	207,320	43.61%
12/31/11	-	55,335	55,335	0%	166,880	33.16%
12/31/10	-	55,335	55,335	0%	166,880	33.16%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2020	9,404	0%
2019	9,404	0%
2018	9,404	0%
2017	9,404	0%
2016	2,091	0%
2015	5,479	0%
2014	5,479	0%
2013	5,479	0%
2012	5,168	0%
2011	5,168	0%
2010	6,461	0%

Town of Conway, North Carolina
Town of Conway's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Conway's proportion of the net pension liability (asset) (%)	0.333800%	0.003210%	0.022700%	0.261600%	0.002800%
Conway's proportion of the net pension liability (asset) (\$)	\$ 92,305	\$ 76,152	\$ 52,205	\$ 57,303	\$ 12,162
Conway's covered-employee payroll	\$ 304,757	\$ 304,194	\$ 270,920	\$ 255,777	\$ 186,736
Conway's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.29%	25.03%	19.27%	22.40%	6.51%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 24,181	\$ 28,314	\$ 22,512	\$ 21,065	\$ 17,296
Contributions in relation to the contractually required contribution	<u>24,181</u>	<u>28,314</u>	<u>22,512</u>	<u>21,065</u>	<u>17,296</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Conway's covered-employee payroll	\$ 304,757	\$ 304,194	\$ 270,920	\$ 281,144	\$ 255,777
Contributions as a percentage of covered-employee payroll	7.93%	9.31%	8.31%	7.49%	6.76%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 42,896	\$ 48,806	\$ 68,277
Changes for the year:			
Service cost at end of year	2,075	2,131	1,884
Interest on total pension liability	1,501	1,542	2,635
Changes in benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	(10,631)	(9,167)	(25,671)
Changes in assumptions and other inputs	266	(416)	1,681
Benefit payments	(3,305)	-	-
Other	-	-	-
Net changes	<u>(10,094)</u>	<u>(5,910)</u>	<u>(19,471)</u>
Ending balance of total pension liability	<u>\$ 32,802</u>	<u>\$ 42,896</u>	<u>\$ 48,806</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 92,305	\$ 76,152	\$ 48,806
Covered payroll	304,757	304,194	99,859
Total pension liability as a percentage of covered payroll	30.29%	25.03%	48.87%

Notes to schedule-

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

Town of Conway, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

Total OPEB liability	2020	2019
Service cost	\$ 5,256	\$ 2,091
Interest	3,859	213
Changes in benefit terms	0.00%	0.00%
Differences between expected and actual experience	-	7,100
Changes in assumptions	1,790	-
Benefit payments	-	-
Net change in total OPEB liability	10,905	9,404
Total OPEB liability - beginning	121,364	54,169
Total OPEB Liability - ending	\$ 132,269	\$ 63,573
Covered payroll		282,811
Total OPEB liability as a percentage of covered payroll		22.48%

Notes to Schedule

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

Fiscal Year	Rate
2020	3.18%

INDIVIDUAL FUND STATEMENTS & SCHEDULES

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

Statement 1
1 of 3

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 250,087	\$ -
Penalties and interest	-	4,802	-
Total	<u>250,307</u>	<u>254,889</u>	<u>4,582</u>
Other taxes and licenses:			
Sales tax refund	-	6,832	-
Total	<u>6,500</u>	<u>6,832</u>	<u>332</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	200,257	-
Utility franchise tax	-	82,805	-
Court fees & ordinance violations	-	133	-
Beer and wine tax	-	3,548	-
Total	<u>275,580</u>	<u>286,743</u>	<u>11,163</u>
Restricted intergovernmental:			
Powell Bill allocation	-	23,092	-
Total	<u>23,000</u>	<u>23,092</u>	<u>92</u>
Sales and services:			
Cemetery	<u>1,500</u>	<u>1,063</u>	<u>(437)</u>
Investment earnings	<u>665</u>	<u>1,644</u>	<u>979</u>
Miscellaneous:			
Donations	-	136	-
Miscellaneous	-	1,877	-
Rent	-	4,200	-
Total	<u>4,500</u>	<u>6,213</u>	<u>1,713</u>
Total Revenues	<u>562,052</u>	<u>580,476</u>	<u>18,424</u>

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

Statement 1
2 of 3

	2020		Variance
	Budget	Actual	Positive (Negative)
Expenditures:			
General government:			
Salaries - elected officials	-	10,840	-
Professional services	-	16,391	-
Membership dues	-	1,311	-
Other operating expenditures	-	20,970	-
Total	<u>49,715</u>	<u>49,512</u>	<u>(49,512)</u>
Administration:			
Salaries and employee benefits	-	60,934	-
Other operating expenditures	-	45,383	-
Total	<u>111,816</u>	<u>106,317</u>	<u>5,499</u>
Total general government	<u>161,531</u>	<u>155,829</u>	<u>5,702</u>
Public safety:			
Police:			
Salaries and employee benefits	-	183,712	-
Maintenance and repair	-	3,717	-
Capital outlay	-	8,007	-
Other operating expenditures	-	19,944	-
Total	<u>237,441</u>	<u>215,380</u>	<u>22,061</u>
Fire:			
Assistance to local fire department	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Rescue units:			
Assistance to local rescue units	<u>3,125</u>	<u>-</u>	<u>3,125</u>
Total public safety	<u>253,566</u>	<u>228,380</u>	<u>25,186</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	91,612	-
Powell Bill	-	1,400	-
Street lights	-	28,041	-
Capital outlay	-	13,707	-
Other operating expenditures	-	31,533	-
Total transportation	<u>200,014</u>	<u>166,293</u>	<u>33,721</u>
Environmental protection:			
Cemetery	-	10,741	-
Total environmental protection	<u>15,000</u>	<u>10,741</u>	<u>4,259</u>

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

Statement 1
3 of 3

	2020		Variance
	Budget	Actual	Positive (Negative)
Economic development:			
Dues		500	
Other	-	4,280	-
Total economic development	<u>6,500</u>	<u>4,780</u>	<u>1,720</u>
Culture and recreation:			
Parks and recreation:			
Veterans Memorial Park	-	1,309	-
Recreation	-	8,856	-
Total	<u>12,200</u>	<u>10,165</u>	<u>2,035</u>
Total expenditures	<u>648,811</u>	<u>576,188</u>	<u>72,623</u>
Revenues over (under) expenditures	<u>(86,759)</u>	<u>4,288</u>	<u>91,047</u>
Other financing sources (uses):			
Fund balance appropriated	86,759	-	(86,759)
Total	<u>\$ 86,759</u>	<u>\$ -</u>	<u>\$ (86,759)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>4,288</u>	<u>(4,288)</u>
Fund balances:			
Beginning of year, July 1		631,762	
End of year, June 30		<u>\$ 636,050</u>	

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

Schedule 2
Page 1 of 2

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Water sales	\$ -	\$ 258,429	\$ -
Penalties	-	3,357	-
Total	269,192	261,786	(7,406)
Sewer charges:	-	140,949	-
Penalties	-	5,666	-
Total	136,000	146,615	10,615
Water and sewer taps	3,000	7,975	4,975
Other operating revenues	500	105	(395)
Total operating revenues	408,692	416,481	7,789
Nonoperating revenues:			
Interest earnings (loss)	4,920	7,007	2,087
Total Non Operating	4,920	7,007	2,087
Total Revenue	413,612	423,488	9,876
Expenditures:			
Water and sewer administration:			
Salaries	-	153,027	-
Dues	-	285	-
Telephone	-	5,308	-
Total water and sewer administration	163,277	158,620	4,657
Water treatment and distribution:			
Salaries and employee benefits	-	-	-
OPEB health care expense	-	197	-
Telephone	-	-	-
Supplies	-	11,928	-
Analysis fee	-	3,090	-
Contracted services	-	40,640	-
Maintenance	-	55,946	-
Gas & oil	-	4,693	-
Insurance	-	2,555	-
Utility service fee	-	22,992	-
Copier lease	-	2,310	-
Total	176,284	144,351	31,933
Waste collection and treatment:			
Salaries and employee benefits	-	-	-
OPEB Health Care Expense	-	-	-
Supplies	-	3,326	-
Gas & oil	-	3,296	-
Maintenance	-	963	-
Analysis	-	5,448	-
Contract services	-	25,800	-
Utility service fee	-	15,341	-
Insurance	-	4,560	-
Copier lease	-	1,552	-
Total	71,958	60,286	11,672

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

Schedule 2
Page 2 of 2

	2020		Variance Positive (Negative)
	Budget	Actual	
Debt service:			
Principal retirement	42,700	42,670	30
Capital outlay:			
Sewer fund	15,000	13,707	1,293
Water fund	36,259	13,707	22,552
Total debt service & capital outlay	93,959	70,084	23,875
Total expenditures	505,478	433,341	72,137
Other financing sources (uses):			
Fund balance appropriated	91,866	-	(91,866)
Total other financing sources (uses)	91,866	-	(91,866)
Revenues and other sources over expenditures and other uses	\$ -	\$ (9,853)	\$ 9,853
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		27,414	
Pension		(8,785)	
Debt		42,670	
Depreciation		(138,834)	
Total reconciling items		(77,535)	
Net income		\$ (87,388)	

OTHER SCHEDULES

Town of Conway, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 251,434	\$ 241,314	\$ 10,120
2018-2019	9,055	-	1,530	7,525
2017-2018	7,371	-	832	6,539
2016-2017	5,387	-	1,066	4,321
2015-2016	4,789	-	832	3,957
2014-2015	5,386	-	1,004	4,382
2013-2014	5,647	-	745	4,902
2012-2013	5,043	-	788	4,255
2011-2012	4,957	-	1,033	3,924
2010-2011	2,410	-	942	1,468
2009-2010	2,368	-	2,368	-
	<u>\$ 52,413</u>	<u>\$ 251,434</u>	<u>\$ 252,454</u>	<u>\$ 51,393</u>

Less: allowance for uncollectible accounts:
General Fund

(2,570)

Ad valorem taxes receivable - net

\$ 48,823

Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 254,889

Reconciling items:

Interest collected

(4,803)

Taxes written off

2,368

Total collections and credits

\$ 252,454

Town of Conway, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	City - Wide		Total Levy	
	Property Valuation	Rate	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:				
Property taxed at current	\$ 48,072,765	0.47%	\$ 225,942	\$ -
Registered motor vehicles taxed	5,423,829	0.47%	-	25,492
Total property valuation	53,496,594		225,942	25,492
Net levy			225,942	25,492
Uncollected taxes at June 30, 2020			(10,120)	-
Current year's taxes collected			\$215,822	\$25,492
Current levy collection percentage			95.52%	100.00%