

**TOWN OF CRAMERTON
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

TOWN OF CRAMERTON, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Cramerton, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cramerton ABC Board. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cramerton ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Cramerton ABC Board were not audited in accordance with *Government Auditing Standards*.

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 and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Cramerton, North Carolina, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedules of Changes in Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset/Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cramerton, North Carolina's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax 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, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020 on our consideration of the Town of Cramerton, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Cramerton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cramerton's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 12, 2020

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Management's Discussion and Analysis

As management of the Town of Cramerton (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Cramerton 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

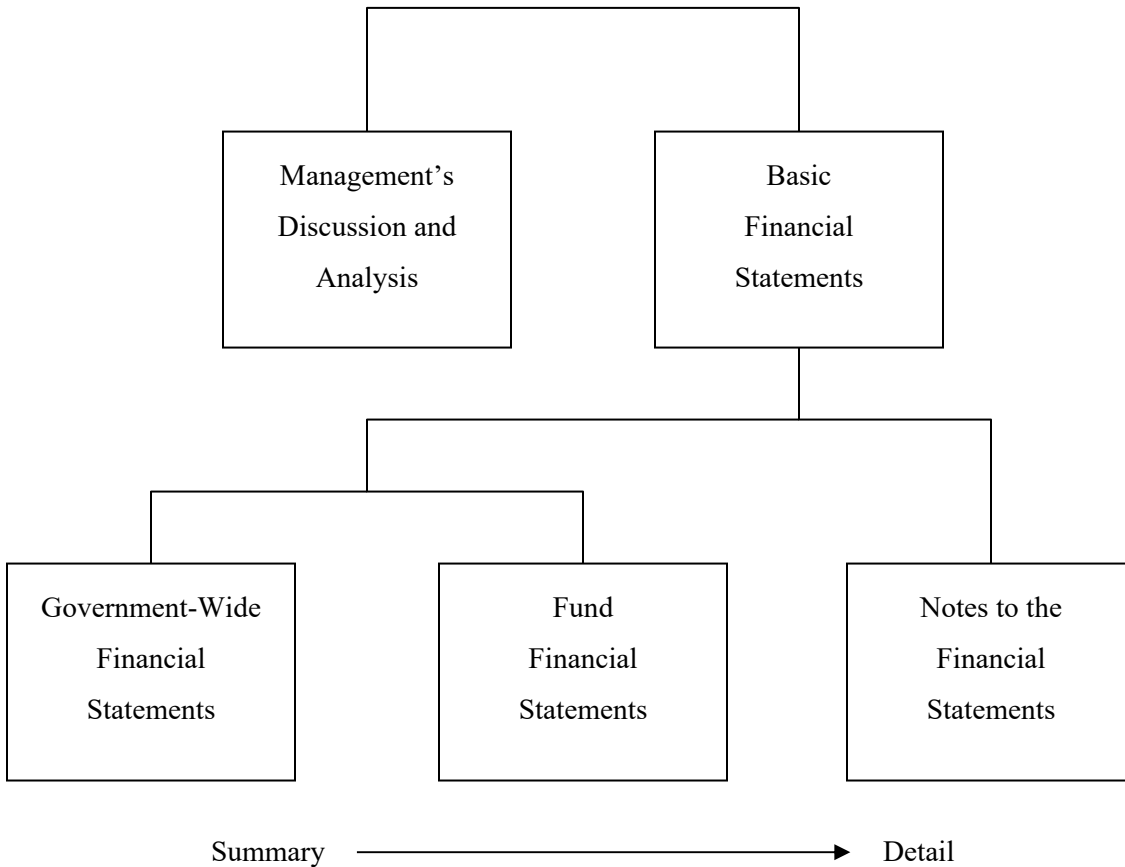
- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,831,873 (*net position*).
- The Town's total net position increased by \$292,800 during the year ended June 30, 2020.
- As of the close of the current fiscal year, the Town's governmental funds reports combined ending fund balances of \$4,259,849, a decrease of \$760,041 in comparison with the prior year. This decrease is attributable to funding capital projects during the year which reduced cash funds on hand at June 30, 2020. Of the fund balance, \$1,611,041 is available for spending at the government's discretion (unassigned fund balance).
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,032,919, or 40.98%, of total General Fund expenditures for the current fiscal year.
- The Town's total long-term debt decreased \$153,703 (4.86%) during the current fiscal year. This decrease results from the Town's scheduled principal payments on existing debt.

Overview of the Financial Statements

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

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 F) 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 two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Following the notes is the **Required Supplementary Information**. This section contains funding information about the Town's pension plan.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) component units. The governmental activities include most of the Town's basic services, such as public safety, parks and recreation, solid waste and recycling collection, and general administration. Property taxes and federal and state grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Cramerton are governmental funds.

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

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

Government-Wide Financial Analysis

Town of Cramerton's Net Position

Figure 2

	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 4,294,741	\$ 5,360,500
Restricted assets	264,489	78,725
Capital assets	<u>8,941,071</u>	<u>7,883,512</u>
Total assets	<u>13,500,301</u>	<u>13,322,737</u>
Deferred Outflows of Resources	<u>665,561</u>	<u>524,155</u>
Liabilities:		
Long-term liabilities outstanding	4,827,655	4,705,329
Other liabilities	<u>376,645</u>	<u>452,212</u>
Total liabilities	<u>5,204,300</u>	<u>5,157,541</u>
Deferred Inflows of Resources	<u>129,689</u>	<u>211,278</u>
Net Position:		
Net investment in capital assets	5,931,325	4,720,069
Restricted	1,547,893	526,304
Unrestricted	<u>1,352,655</u>	<u>3,231,700</u>
Total net position	<u>\$ 8,831,873</u>	<u>\$ 8,478,073</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$8,831,873 as of June 30, 2020. The Town's net position increased by \$292,800 for the fiscal year ended June 30, 2020. However, a portion (67.16%) reflects the Town's \$5,931,325 net 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional \$1,547,893 of the Town's net position (17.53%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,352,655 is unrestricted; however, the Town had implemented a minimum fund balance reserve policy, (40% of FY 20-21 budgeted expenditures equal to \$2,048,040 at June 30, 2020), yielding net funds of \$381,456 unencumbered funds available for expenditure.

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

- Continued efforts by Gaston County in the collection of ad valorem taxes resulting in a tax collection percentage of 99.44%
- The Town budgeted ad valorem tax revenues conservatively and realized collections in excess of budgeted amounts resulting in \$114,726 for real and personal property and \$24,123 for registered motor vehicles. These additional tax revenues were available for governmental activities.
- Favorable operating results across all departments with expenditures \$210,754 less than budgeted amounts.

Town of Cramerton’s Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 609,792	\$ 570,235
Operating grants and contributions	173,833	259,603
Capital grants and contributions	408,584	388,155
General revenues:		
Property taxes	2,818,351	2,140,922
Other taxes	434,653	259,120
Grants and contributions not restricted to specific programs	942,355	1,323,611
Other	271,221	181,059
Total revenues	<u>5,658,789</u>	<u>5,122,705</u>
Expenses:		
General government	453,894	1,221,383
Public safety	2,202,094	2,356,685
Public works	963,847	829,307
Culture and recreation	1,640,778	799,766
Interest on long-term debt	105,376	109,694
Total expenses	<u>5,365,989</u>	<u>5,316,835</u>
Change in net position	<u>292,800</u>	<u>(194,130)</u>
Net Position:		
Beginning of year - July 1	8,478,073	8,754,291
Restatement	61,000	(82,088)
Beginning of year - July 1, as restated	<u>8,539,073</u>	<u>8,672,203</u>
End of year - June 30	<u>\$ 8,831,873</u>	<u>\$ 8,478,073</u>

Governmental Activities. Governmental activities increased the Town's net position by \$292,800. Key elements of this increase are:

- Ad valorem tax collections realized in excess of budgeted amounts
- Sales and use taxes in excess of budgeted amounts
- Operating expenditures less than budgeted across all operating departments

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, available fund balance of the General Fund was \$2,237,408, while total fund balance was \$3,504,165. The Town currently has an available General Fund balance of 44.12% of General Fund expenditures.

At June 30, 2020, the governmental funds of the Town of Cramerton reported a combined fund balance of \$4,259,849, which equals a \$760,041, or 15.14%, decrease from last year. A significant portion of this decrease is attributable to the funding of capital projects during the year.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. Current examples include: \$161,900 for recreation equipment and facilities upgrades, \$8,200 for additional staffing of the fire station, \$14,500 for a 50% fire grant match, \$50,000 for flood damage remediation and \$40,000 for spring sports registration refunds brought about by the COVID 19 pandemic.

Revenues were more than the budgeted primarily because the Town realized more revenue from real property and motor vehicle tax collections, including sales and use taxes and School Resource Officer fees paid by the Gaston County School Board.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2020 total \$8,941,071 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles.

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

- Acquisition of public works pick-up truck, \$29,452
- Acquisition of four police vehicles, \$185,844
- Acquisition of equipment and major renovation of the Community Center facility, \$188,249
- Addition of phone equipment, repairs, and waterproofing of Town Hall/Police Station, \$575,601
- Additions of the River Link Greenway, \$1,060,213

The amounts above include, \$20,940 for Town Hall/Police Station and \$609,347 for the River Link Greenway that was previously reported as Construction in Progress in prior years.

Town of Cramerton’s Capital Assets

`Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 292,119	\$ 292,119
Buildings	2,720,924	2,075,445
Improvements other than buildings	4,934,522	3,898,078
Machinery and equipment	227,046	242,695
Vehicles and motorized equipment	727,841	744,888
Construction in progress	38,619	630,287
Total	\$ 8,941,071	\$ 7,883,512

Additional information on the Town’s capital assets can be found in Note 2.A. of the basic financial statements.

Long-Term Debt. As of June 30, 2020, the Town of Cramerton had no bonded debt outstanding. The Town does have one outstanding installment purchase loan from a bank for financing street improvements and three notes payable from USDA Rural Development for the Public Works Facility, Town Hall/Police Department renovation, and Goat Island pedestrian bridge and other park amenities.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries less existing debt. At June 30, 2020, the legal debt margin for the Town is approximately \$44,254,911.

Additional information regarding the Town’s long-term debt can be found in Note 2.B. beginning on page 51 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

- The Town of will experience continued growth from additional apartment and single family construction in the Peach Orchard Road/Wilkinson Boulevard area with continued construction activity in the Timberlake and Villages at Cramerton Mill neighborhoods.
- Several current and proposed developments feature commercial offices and retail elements that will increase the Town’s future tax base.

Budget Highlights for the Fiscal Year Ended June 30, 2021

Governmental Activities. Property taxes, remaining at a rate of \$.475, are projected to be collected at or above the state average. The Town will use increased tax revenues to finance programs currently in place.

The Town continues contractual agreements with the Town of McAdenville for provision of 24-hour, seven days a week police and fire protection services. These contracts increase expenditures in public safety that are offset by the fees approved in the contracts. Fiscal Year 2021 will be the first year of a renewed five-year police services contract (\$255,000) and the first of a three-year contract renewal (\$65,000) for fire service.

Budgeted expenditures in the General Fund are expected to increase from \$4,998,600 to \$5,102,100, a net difference of \$103,500, or 2.074%. The largest changes in the budget are due from full-time compensation (\$98,000) including competitive wage increases within the police department, additional part-time staffing of the fire station (\$29,900), statutory rate increase in the Local Government Employees Retirement System contribution (\$25,200) financial audit services (\$19,000), police technology equipment and services (\$16,000), waste and recycling fees (\$65,000), flood contingency funding (\$13,000) with offset of a decrease in capital outlay of \$220,500.

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 David Pugh, Town Manager, at Town Hall, 155 N. Main Street, Cramerton, NC 28032. More information can also be found at the Town's website: www.cramerton.org.

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TOWN OF CRAMERTON, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Primary Government	Component Unit
	Governmental Activities	Cramerton ABC Board
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,697,936	\$ 214,958
Taxes receivable (net)	21,490	-
Accrued interest receivable	4,492	-
Accounts receivable (net)	36,897	-
Due from other governments	1,057,967	-
Inventories	-	489,086
Prepaid expenses	59,386	14,149
Restricted cash and cash equivalents	264,489	-
Total current assets	4,142,657	718,193
Non-current assets:		
Long-term note receivable	400,000	-
Long-term demolition receivable	16,573	-
Capital assets:		
Land, non-depreciable improvements, and construction in progress	330,738	153,186
Other capital assets, net of depreciation	8,610,333	910,334
Total capital assets	8,941,071	1,063,520
Total assets	13,500,301	1,781,713
Deferred Outflows of Resources:		
Pension deferrals	393,085	59,769
LEO deferrals	125,829	-
OPEB deferrals	146,647	-
Total deferred outflows of resources	665,561	59,769
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	181,761	266,154
Accrued interest payable	24,270	-
Current portion of long-term liabilities	170,614	625,618
Total current liabilities	376,645	891,772

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

TOWN OF CRAMERTON, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Primary Government	Component Unit
	Governmental Activities	Cramerton ABC Board
Non-current liabilities:		
Net pension liability (LGERS)	658,971	-
Total pension liability (LEOSSA)	677,752	-
Total OPEB liability	585,050	-
Due in more than one year	2,905,882	159,910
Total long-term liabilities	4,827,655	159,910
Total liabilities	5,204,300	1,051,682
Deferred Inflows of Resources:		
Advances from grantors	60,000	-
Pension deferrals	9,295	72,096
LEO deferrals	25,136	-
OPEB deferrals	35,258	-
Total deferred inflows of resources	129,689	72,096
Net Position:		
Net investment in capital assets	5,931,325	454,699
Restricted for:		
Stabilization by state statute	1,485,104	-
Public works - streets	62,789	-
Other purposes	-	100,569
Unrestricted	1,352,655	162,436
Total net position	\$ 8,831,873	\$ 717,704

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

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TOWN OF CRAMERTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 453,894	\$ 16,448	\$ -	\$ 398,228
Public safety	2,202,094	280,750	39,566	6,782
Public works	963,847	191,748	123,267	-
Recreation	1,640,778	120,846	11,000	3,574
Interest on long-term debt	105,376	-	-	-
Total governmental activities	<u>5,365,989</u>	<u>609,792</u>	<u>173,833</u>	<u>408,584</u>
Total primary government	<u>\$ 5,365,989</u>	<u>\$ 609,792</u>	<u>\$ 173,833</u>	<u>\$ 408,584</u>
Component Unit:				
ABC Board	\$ 3,319,675	\$ 3,374,859	\$ -	\$ -
Total component unit	<u>\$ 3,319,675</u>	<u>\$ 3,374,859</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF CRAMERTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
	Governmental Activities	Total	Cramerton ABC Board
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (39,218)	\$ (39,218)	\$ -
Public safety	(1,874,996)	(1,874,996)	-
Public works	(648,832)	(648,832)	-
Recreation	(1,505,358)	(1,505,358)	-
Interest on long-term debt	(105,376)	(105,376)	-
Total governmental activities	<u>(4,173,780)</u>	<u>(4,173,780)</u>	<u>-</u>
Total primary government	<u>(4,173,780)</u>	<u>(4,173,780)</u>	<u>-</u>
Component Unit:			
Cramerton ABC Board			<u>55,184</u>
Total component unit			<u>55,184</u>
General Revenues:			
Taxes:			
Property taxes, other than for general purpose	2,818,351	2,818,351	-
Other taxes and licenses	434,653	434,653	-
Local option sales tax	942,355	942,355	-
Unrestricted investment earnings	41,026	41,026	1,488
Miscellaneous	<u>230,195</u>	<u>230,195</u>	<u>-</u>
Total general revenues	<u>4,466,580</u>	<u>4,466,580</u>	<u>1,488</u>
Change in net position	<u>292,800</u>	<u>292,800</u>	<u>56,672</u>
Net Position:			
Beginning of year - July 1	8,478,073	8,478,073	661,032
Restatement	<u>61,000</u>	<u>61,000</u>	<u>-</u>
Beginning of year - July 1, as restated	<u>8,539,073</u>	<u>8,539,073</u>	<u>661,032</u>
End of year - June 30	<u>\$ 8,831,873</u>	<u>\$ 8,831,873</u>	<u>\$ 717,704</u>

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

TOWN OF CRAMERTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Major</u>			<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>29-74 Greenway</u>	<u>Town Hall Repair</u>		
Assets:					
Cash and cash equivalents	\$ 2,197,129	\$ -	\$ -	\$ 500,807	\$ 2,697,936
Receivables (net):					
Ad valorem taxes	21,490	-	-	-	21,490
Accounts	36,897	-	-	-	36,897
Accrued interest	4,492	-	-	-	4,492
Due from other funds	385,748	-	-	-	385,748
Due from other governments	363,661	676,841	-	17,465	1,057,967
Prepaid items	59,386	-	-	-	59,386
Restricted cash and cash equivalents	264,489	-	-	-	264,489
Long-term demolition receivable	16,573	-	-	-	16,573
Long-term note receivable	400,000	-	-	-	400,000
Total assets	<u>\$ 3,749,865</u>	<u>\$ 676,841</u>	<u>\$ -</u>	<u>\$ 518,272</u>	<u>\$ 4,944,978</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 164,210	\$ -	\$ -	\$ 17,551	\$ 181,761
Due to other funds	-	385,748	-	-	385,748
Total liabilities	<u>164,210</u>	<u>385,748</u>	<u>-</u>	<u>17,551</u>	<u>567,509</u>
Deferred Inflows of Resources:					
Advance from grantors	60,000	-	-	-	60,000
Grant receivable	-	36,130	-	-	36,130
Property taxes receivable	21,490	-	-	-	21,490
Total deferred inflows of resources	<u>81,490</u>	<u>36,130</u>	<u>-</u>	<u>-</u>	<u>117,620</u>
Fund Balances:					
Non-spendable:					
Prepaid items	59,386	-	-	-	59,386
Long-term note receivable	400,000	-	-	-	400,000
Long-term demolition receivable	16,573	-	-	-	16,573
Restricted:					
Stabilization by state statute	790,798	676,841	-	17,465	1,485,104
Streets	62,789	-	-	-	62,789
Reserve for USDA Rural Development Obligations	141,700	-	-	-	141,700
Assigned:					
Stormwater maintenance	-	-	-	154,850	154,850
General government	-	-	-	200,776	200,776
Recreation	-	-	-	127,630	127,630
Unassigned	2,032,919	(421,878)	-	-	1,611,041
Total fund balances	<u>3,504,165</u>	<u>254,963</u>	<u>-</u>	<u>500,721</u>	<u>4,259,849</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,749,865</u>	<u>\$ 676,841</u>	<u>\$ -</u>	<u>\$ 518,272</u>	<u>\$ 4,944,978</u>

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

TOWN OF CRAMERTON, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Total Governmental Funds
Total fund balances	\$ 4,259,849
Amounts reported for governmental activities in the Statements of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,941,071
Deferred outflows of resources related to pensions are not reported in the funds.	393,085
Deferred outflows of resources related to LEO separation allowance are not reported in the funds.	125,829
Deferred outflows of resources related to OPEB are not reported in the funds.	146,647
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(66,750)
Liabilities for earned revenues but considered deferred inflows of resources in fund statements Property taxes receivable	21,490
Deferred inflows of resources related to pensions are not reported in the funds.	(9,295)
Deferred inflows of resources related to LEO separation allowance are not reported in the funds.	(25,136)
Deferred inflows of resources related to OPEB are not reported in the funds.	(35,258)
Some liabilities, including long-term debt payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:	<u>(4,955,789)</u>
Net position of governmental activities	<u>\$ 8,831,873</u>

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

TOWN OF CRAMERTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Major			Total Nonmajor Funds	Total Governmental Funds
	General Fund	29-74 Fund	Town Hall Repair		
Revenues:					
Ad valorem taxes	\$ 2,820,350	\$ -	\$ -	\$ -	\$ 2,820,350
Other taxes and licenses	400	-	-	-	400
Unrestricted intergovernmental revenues	1,356,204	-	-	-	1,356,204
Restricted intergovernmental revenues	182,446	362,098	-	-	544,544
Permits and fees	16,448	-	-	-	16,448
Sales and services	120,846	-	-	191,748	312,594
Investment earnings	41,026	-	-	-	41,026
Miscellaneous	516,113	-	-	-	516,113
Total revenues	<u>5,053,833</u>	<u>362,098</u>	<u>-</u>	<u>191,748</u>	<u>5,607,679</u>
Expenditures:					
Current:					
General government	992,057	-	570,317	-	1,562,374
Public safety	1,794,149	-	-	-	1,794,149
Public works	713,441	-	-	181,026	894,467
Recreation	798,676	450,865	-	156,795	1,406,336
Capital outlay	402,847	-	-	53,210	456,057
Debt service:					
Principal	153,703	-	-	-	153,703
Interest and other charges	106,234	-	-	-	106,234
Total expenditures	<u>4,961,107</u>	<u>450,865</u>	<u>570,317</u>	<u>391,031</u>	<u>6,373,320</u>
Revenues over (under) expenditures	<u>92,726</u>	<u>(88,767)</u>	<u>(570,317)</u>	<u>(199,283)</u>	<u>(765,641)</u>
Other Financing Sources (Uses):					
Transfers from other funds	61,009	-	5,287	105,201	171,497
Transfers to other funds	(110,488)	(61,000)	-	(9)	(171,497)
Sale of assets	5,600	-	-	-	5,600
Total other financing sources (uses)	<u>(43,879)</u>	<u>(61,000)</u>	<u>5,287</u>	<u>105,192</u>	<u>5,600</u>
Net change in fund balances	<u>48,847</u>	<u>(149,767)</u>	<u>(565,030)</u>	<u>(94,091)</u>	<u>(760,041)</u>
Fund Balances:					
Beginning of year - July 1	3,038,745	404,730	565,030	594,812	4,603,317
Restatement	416,573	-	-	-	416,573
Beginning of year - July 1, as restated	<u>3,455,318</u>	<u>404,730</u>	<u>565,030</u>	<u>594,812</u>	<u>5,019,890</u>
End of year - June 30	<u>\$ 3,504,165</u>	<u>\$ 254,963</u>	<u>\$ -</u>	<u>\$ 500,721</u>	<u>\$ 4,259,849</u>

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

TOWN OF CRAMERTON, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
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 (Exhibit D)	\$ (760,041)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	1,638,063
Depreciation is recognized as an expense in the Statement of Activities. However, it is not reported in the governmental funds.	(575,310)
Pension expense - LGERS	(139,377)
Pension expense - LEOSSA	(75,815)
OPEB plan expense	4,557
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	
Grant receivable- deferred revenue	36,130
Change in deferred revenue for tax revenues	(1,999)
Change in demolition lien receivable	16,573
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	153,703
Accrued interest expense	858
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.	
Retirement of fixed assets	(5,194)
Compensated absences	<u>652</u>
Total changes in net position of governmental activities	<u>\$ 292,800</u>

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

TOWN OF CRAMERTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:				
Ad valorem taxes	\$ 2,672,100	\$ 2,672,100	\$ 2,820,350	\$ 148,250
Other taxes and licenses	-	-	400	400
Unrestricted intergovernmental revenues	1,210,300	1,222,300	1,356,204	133,904
Restricted intergovernmental revenues	154,000	187,250	182,446	(4,804)
Permits and fees	125,000	125,000	16,448	(108,552)
Sales and services	120,000	120,000	120,846	846
Investment earnings	65,000	65,000	41,026	(23,974)
Miscellaneous	387,200	514,400	516,113	1,713
Total revenues	<u>4,733,600</u>	<u>4,906,050</u>	<u>5,053,833</u>	<u>147,783</u>
Expenditures:				
Current:				
Governing board	66,400	72,400	59,097	13,303
Administration	615,600	631,600	595,533	36,067
Planning and zoning	215,500	360,000	337,427	22,573
Police	1,544,000	1,596,200	1,538,105	58,095
Fire	252,200	279,400	256,044	23,356
Public works	743,900	760,900	713,441	47,459
Recreation	720,200	872,100	798,676	73,424
Capital outlay	480,000	505,000	402,847	102,153
Debt service:				
Principal	153,700	153,700	153,703	(3)
Interest and other charges	107,100	107,100	106,234	866
Total expenditures	<u>4,898,600</u>	<u>5,338,400</u>	<u>4,961,107</u>	<u>377,293</u>
Revenues over (under) expenditures	<u>(165,000)</u>	<u>(432,350)</u>	<u>92,726</u>	<u>525,076</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	61,009	61,009
Transfers to other funds	(100,000)	(111,201)	(110,488)	713
Sale of capital assets	15,000	15,000	5,600	(9,400)
Total other financing sources (uses)	<u>(85,000)</u>	<u>(96,201)</u>	<u>(43,879)</u>	<u>52,322</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(250,000)</u>	<u>(528,551)</u>	<u>48,847</u>	<u>577,398</u>
Appropriated fund balance	<u>250,000</u>	<u>528,551</u>	<u>-</u>	<u>(528,551)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>48,847</u>	<u>\$ 48,847</u>
Fund Balance:				
Beginning of year - July 1			3,038,745	
Restatement			416,573	
Beginning of year - July 1, as restated			<u>3,455,318</u>	
End of year - June 30			<u>\$ 3,504,165</u>	

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

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Cramerton (the “Town”) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Cramerton is a municipal corporation, which is governed by an elected Mayor and a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

Town of Cramerton ABC Board

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Cramerton Board of Alcoholic Beverage Control, 4701 S. New Hope Road, Belmont, North Carolina 28012.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues 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 specific 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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, sanitation services, recreation, and general government services.

Governmental Capital Projects Fund - US Hwy 29/74 Greenway. This fund is used to account for the construction of a new greenway from the existing Goat Island Park to Wilkinson Boulevard.

Governmental Capital Projects Fund - Town Hall Repair. This fund is used to account for repairs made to Town Hall.

The Town reports the following nonmajor governmental funds:

Stormwater Fund. This fund is used to account for funds held for the improvement and maintenance of the Town's stormwater collection and dispersal system.

Governmental Capital Projects Fund – Central Park Refurbishment Fund. This fund is used to account for construction of new veteran's memorial.

Governmental Capital Projects Fund - Community Center Renovation Fund. This fund is used to account for the renovation of the Community Center.

Governmental Capital Project Fund - Street Repairs & Resurfacing Fund. This fund is used to account for the repair and resurfacing of streets.

Governmental Capital Project Fund – Fleet Acquisition Fund. This fund is used to provide funds for the future acquisition of fleet vehicles.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

C. Measurement Focus and Basis of Accounting

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

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

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

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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Stormwater Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for each of the governmental capital project funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, 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, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the Town and the ABC Board are made in Board-designated official depositories and are secured as required by state law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair market value. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair market value. Because the NCCMT Government Portfolio has an average maturity of less than 90 days, it is presented as an investment with a maturity of less than six months.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Unexpended grant proceeds are restricted because they can only be spent for specific project related expenditures. Reserved for USDA Rural Development is restricted because it can only be expended for expenditures related to the USDA grant project.

Governmental Activities:

General Fund

Unspent grant proceeds	\$	60,000
Reserved for USDA Rural Development Obligations		141,700
Streets		62,789
	\$	<u>264,489</u>

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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 6th. These taxes are based on the assessed values as of January 1, 2019.

Allowances for Doubtful Accounts

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

Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory consists of materials held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 cost is \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or 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:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Buildings	40 years
Improvements	10-40 years
Vehicles	4 years
Furniture and equipment	10 years
Computer equipment	3 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10 years
Leasehold improvements	40 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension and OPEB related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion – property taxes receivable in the General Fund, advance from grantor, demolition receivable, and pension and OPEB related deferrals.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 20 days of vacation in a calendar year based on length of employment. However, no more than 10 vacation days may be carried over into the following year. Excess vacation leave is converted to sick leave. For the Town's government-wide financial statements, an expense and liability for compensated absences are recorded as leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid Items – portion of fund balance that is not available because it represents the year-end balance of amounts paid for future benefits, which are not spendable resources.

Long-Term Note Receivable and Long-Term Demolition Receivable – portion of fund balance that is not an available resource because it represents an amount not expected to be converted to cash during the subsequent fiscal year.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Stabilization for State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation of 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 stated 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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

Reserve for USDA Rural Development Obligations – portion of fund balance that is committed to the annual debt service payments on outstanding obligations to the USDA Rural Development Agency. This amount represents the balance of unexpended grantor advance.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's Board of Commissioners (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body.

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

General Government – portion of fund balance that has been budgeted by the Board for Community Center renovations and fleet acquisition.

Recreation – portion of fund balance that has been budgeted by the Board for Central Park refurbishments.

Stormwater Maintenance – portion of fund balance that is budgeted by the Board for stormwater maintenance projects.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

The Town of Cramerton has a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. Any portion of the General Fund balance in excess of 40% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purposes that would obligate the Town in a future budget.

F. Defined Benefit Cost-Sharing Plans

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

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and the ABC Board 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 or ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in the entities' 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

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,562,092 and a bank balance of \$2,635,747. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of the deposits for the ABC Board was \$209,358 and the bank balance was \$238,889. All of the bank balance was covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$300 and the ABC Board's was \$5,600.

Investments

At June 30, 2020, the Town had \$400,033 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

The standard of prudence to be used in managing the overall investment portfolio shall be the "prudent investor" rule which states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived". The Finance Officer, acting in accordance with North Carolina General Statutes, this policy, and exercising due diligence in the scope of his or her duties, shall be relieved of personal responsibility for an investment credit risk or market price changes, provided that these deviations are reported immediately upon knowledge and that appropriate action is taken to control adverse developments.

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Receivables – Allowances for Doubtful Accounts

The allowance for doubtful accounts at June 30, 2020 was as follows:

Fund:

General Fund:

Taxes receivable \$ 25,971

Due from Other Governments

Due from other governments that is owed to the Town consists of the following:

<u>Fund</u>	<u>June 30, 2020</u>
General Fund:	
NC Department of Revenue	\$ 342,562
NC Department of Environment & Natural Resources	900
NC Division of Motor Vehicles	<u>20,199</u>
	<u>363,661</u>
Project Funds:	
NC Department of Transportation	676,841
City of Gastonia	<u>17,465</u>
	<u>694,306</u>
Total	<u>\$ 1,057,967</u>

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

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

	July 1, 2019	Additions	Retirements	Reclassification	June 30, 2020
By Asset Type:					
Non-Depreciable Capital Assets:					
Land	\$ 292,119	\$ -	\$ -	\$ -	\$ 292,119
Construction in progress	630,287	1,213,256	-	(1,804,924)	38,619
Total non-depreciable capital assets	922,406	1,213,256	-	(1,804,924)	330,738
 Depreciable Capital Assets:					
Buildings	3,144,183	-	-	730,086	3,874,269
Other improvements	5,200,492	190,373	11,545	1,060,212	6,439,532
Equipment	1,339,665	19,138	30,533	14,626	1,342,896
Vehicles and motorized equipment	2,036,869	215,296	88,743	-	2,163,422
Total depreciable capital assets	11,721,209	424,807	130,821	1,804,924	13,820,119
 Less Accumulated Depreciation:					
Buildings	1,068,738	84,607	-	-	1,153,345
Other improvements	1,302,414	203,558	962	-	1,505,010
Equipment	1,096,970	47,942	29,062	-	1,115,850
Vehicles	1,291,981	239,203	95,603	-	1,435,581
Total accumulated depreciation	4,760,103	\$ 575,310	\$ 125,627	\$ -	5,209,786
 Total depreciable capital assets, net	 6,961,106				 8,610,333
 Governmental activity capital assets, net	 \$ 7,883,512				 \$ 8,941,071

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Activities:

General government	\$ 40,473
Public safety	262,024
Public works	58,595
Cultural and recreation	<u>214,218</u>
Total depreciation expense	<u>\$ 575,310</u>

Construction Commitments

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

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Central Park refurbishment	<u>\$ 7,370</u>	<u>\$ 127,630</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Non-Depreciable Capital Assets:				
Land	\$ 153,186	\$ -	\$ -	\$ 153,186
Depreciable Capital Assets:				
Buildings	790,501	-	-	790,501
Furniture and equipment	207,052	-	-	207,052
Vehicles	26,886	-	-	26,886
Leasehold improvements	106,447	-	-	106,447
Total depreciable capital assets	<u>1,130,886</u>	<u>-</u>	<u>-</u>	<u>1,130,886</u>
Less Accumulated Depreciation:				
Buildings	52,755	19,865	-	72,620
Furniture and equipment	62,201	20,790	-	82,991
Vehicles	17,923	5,377	-	23,300
Leasehold improvements	38,294	3,347	-	41,641
Total accumulated depreciation	<u>171,173</u>	<u>\$ 49,379</u>	<u>\$ -</u>	<u>220,552</u>
ABC capital assets, net	<u>\$ 1,112,899</u>			<u>\$ 1,063,520</u>

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Notes Receivable

The Town of Cramerton received a grant from The Historic Preservation Foundation of North Carolina in October 2007. The Town then made a loan to a private developer, Mayworth School Apartments, LLC, from these funds on December 6, 2007 in the amount of \$400,000 to aid the developer in preserving and converting a historic school building into a 40-unit apartment complex. The note calls for the developer to repay this loan to the Town in full on December 6, 2037 with no interest. The Town holds a Deed of Trust on the property, which is located at 236 Eighth Avenue, Cramerton, NC.

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$ 67,710	\$ 96,500	\$ 164,210
Other governmental funds	<u>12,653</u>	<u>4,898</u>	<u>17,551</u>
Total-governmental activities	<u>\$ 80,363</u>	<u>\$ 101,398</u>	<u>\$ 181,761</u>

Pension Plan and Post-Employment Obligations

Local Government Employees' Retirement System

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

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Cramerton 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 Cramerton's contractually required contribution rate for the year ended June 30, 2020 was 9.70% for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Cramerton were \$150,374 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.

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 \$658,971 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension 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 liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.02413%, which was an increase of 0.00181% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$289,752. 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	\$ 112,833	\$ -
Changes of assumptions	107,401	-
Net difference between projected and actual earnings on pension plan investments	16,073	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,404	9,295
Town contributions subsequent to the measurement date	150,374	-
Total	\$ 393,085	\$ 9,295

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$150,374 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2021	\$ 114,284
2022	34,840
2023	64,434
2024	19,858
2025	-
Thereafter	-
Total	<u>\$ 233,416</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 increase	3.5 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.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) 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)	<u>\$ 1,507,188</u>	<u>\$ 658,971</u>	<u>\$ (46,069)</u>

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.

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

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:	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	16
Total	19

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions. The entry age normal 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 increase	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.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$48,896 as benefits came due for the reporting period.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 \$677,752. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$60,637.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,207	\$ 42
Changes of assumptions and other inputs	38,890	25,094
Town benefit payments and plan administrative expense made subsequent to the measurement date	21,732	-
Total	\$ 125,829	\$ 25,136

\$21,732 paid as benefits came due and administrative expenses incurred subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 16,449
2022	16,449
2023	17,121
2024	15,562
2025	11,747
Thereafter	1,633
Total	\$ 78,961

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 738,497</u>	<u>\$ 677,752</u>	<u>\$ 622,905</u>

Law Enforcement Officers' Special Separation Allowance

	<u>2020</u>
Beginning balance	\$ 619,796
Service cost	22,673
Interest on the total pension liability	21,515
Differences between expected and actual experience in the measurement of the total pension liability	45,417
Changes of assumptions or other inputs	21,514
Benefit payments	(48,896)
Other changes	<u>(4,267)</u>
Ending balance of the total pension liability	<u>\$ 677,752</u>

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

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

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 289,752	\$ 60,637	\$ 350,389
Pension liability	658,971	677,752	1,336,723
Proportionate share of the net pension liability	0.02413%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	112,833	65,207	178,040
Changes of assumptions	107,401	38,890	146,291
Net difference between projected and actual earnings on plan investments	16,073	-	16,073
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,404	-	6,404
Benefit payments and administrative costs paid subsequent to the measurement date	150,374	21,732	172,106
Total deferred outflows of resources	\$ 393,085	\$ 125,829	\$ 518,914

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 42	\$ 42
Changes of assumptions	-	25,094	25,094
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,295	-	9,295
Total deferred inflows of resources	\$ 9,295	\$ 25,136	\$ 34,431

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town makes contributions to the Supplemental Retirement Income Plan (the "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

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were \$50,489, which consisted of \$39,126 from the Town and \$11,363 from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for Employees Other Than Law Enforcement Officers

Plan Description. All full-time employees of the Town other than law enforcement officers participate in the Supplemental Retirement Income Plan, a defined contribution plan. Participation begins on the date of full-time employment.

Funding Policy. The Town voluntarily contributes each month an amount equal to five percent (5%) of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$56,162, which consisted of \$37,752 from the Town and \$18,410 from employees. No amounts were forfeited.

Other Post-Employment Benefits

Healthcare Benefits

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

Benefits Provided. Employees who retire with a minimum of 30 years of creditable service have the option of purchasing coverage for themselves through individual policies offered by private insurers. The Town pays the full retiree insurance premium cost through reimbursement to the retiree. Premium payments cease upon the retiree attaining Medicare eligibility. Employees who retire with less than 30 years of creditable service are not eligible for post-employment coverage. The Town Board may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service

Less than 30 years	Not eligible for coverage
30+ years	Full coverage paid for by Town

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

	General Employees	Law Enforcement Officers
Retirees receiving benefits:	-	3
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	13	16
Total	13	19

Total OPEB Liability

The Town’s total OPEB liability of \$585,050 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases	
General employees	3.50% - 7.75%
Inflation	3.50% - 7.35%
Healthcare cost trend rates	
Pre-medicare medical and prescription drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Dental	4.00%

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 462,087
Changes for the year:	
Service cost	19,159
Changes in benefit terms	-
Difference between expected and actual experience	103,710
Changes in assumptions or other inputs	15,140
Benefit payments	(32,397)
Net changes	122,963
Balance at July 1, 2020	\$ 585,050

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of 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 one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 647,977	\$ 585,050	\$ 529,368

TOWN OF CRAMERTON, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 523,598	\$ 585,050	\$ 656,779

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$44,088. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,290	\$ -
Changes of assumptions and other inputs	13,681	35,258
Town benefit payments and plan administrative expense made subsequent to the measurement date	34,676	-
Total	\$ 146,647	\$ 35,258

\$34,676 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 OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2021	\$ 7,578
2022	7,578
2023	7,578
2024	7,578
2025	7,578
Thereafter	38,823
Total	\$ 76,713

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Other Employment Benefits

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

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Pension deferrals	\$ 393,085
LEO deferrals	125,829
OPEB deferrals	<u>146,647</u>
Total	<u>\$ 665,561</u>

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

	<u>Amount</u>
Advances from grantors (General Fund)	\$ 60,000
Taxes receivable (General Fund), less penalties	21,490
Grant receivables	36,130
Pension deferrals	9,295
LEO deferrals	25,136
OPEB deferrals	<u>35,258</u>
Total	<u>\$ 187,309</u>

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Commitments

The Town of Cramerton entered into an agreement with a private waste collection company for curbside garbage removal and recycling until June 30, 2022. The contract costs for the year ending June 30, 2021 will be approximately \$277,600.

The Town of Cramerton entered into a contract with a private company for right-of-way and parks mowing and landscape maintenance. The contract costs for the year ending June 30, 2021 will be approximately \$94,400.

The Town also entered into an agreement with the Town of McAdenville to provide police services to McAdenville through the fiscal year ending June 30, 2025. The Town of McAdenville agrees to pay the Town of Cramerton for the services in the amount of \$255,000 for the year ending June 30, 2021.

The Town also entered into an agreement with the Town of McAdenville to provide fire protection services to McAdenville through the fiscal year ending June 30, 2023. The Town of McAdenville agrees to pay the Town of Cramerton for the services in the amount of \$65,000 for the year ending June 30, 2021. The Town anticipates this service contract to be renewed prior to expiration.

The Town has renegotiated a prior lease of the Consolidated Public Works Facility to the City of Gastonia for a period of four years beginning July 1, 2020, with lease payments of \$28,452 per year. The City may exercise a purchase option during the term of the lease whereby the City would purchase the property for \$682,600. Each annual lease payment during the initial term and any extension thereof will reduce the purchase price by \$28,452. The City may exercise the purchase option at the end of the lease with a nine month notice of its intent to purchase the facility.

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 a self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. This pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 up to statutory limits for workers' compensation. The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 owns the building housing the Cramerton Fire Department. The building lies in a flood plain. The Town maintains \$125,000 of flood insurance on this property provided through the National Flood Insurance Program. This amount is deemed sufficient to cover any building repairs and content damage that may occur. The Town does not maintain flood insurance on any other properties.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds are performance bonded through a commercial surety bond for \$150,000. The Finance Officer is bonded under a separate surety bond for \$150,000.

Claims, Judgements, and Contingent Liabilities

The Town is party to a lawsuit from a former employee. The plaintiff seeks post-employment benefits related to healthcare. The Town's legal counsel is unable to form an opinion as to the likely outcome of this suit. Management intends to vigorously defend the Town against this claim.

Long-Term Obligations

Notes Payable

Serviced by the General Fund:

\$533,000 USDA Rural Development note dated October 31, 2007; due in annual installments of \$28,452 through October 28, 2047; interest at 4.375%; secured by property at 661 Eagle Road	\$ 453,881
\$1,440,000 USDA Rural Development notes dated April 19, 2012; due in annual installments of \$66,140 through April 19, 2052; interest at 3.375%; secured by real property at 155 N. Main St.	1,281,853
\$1,000,000 USDA Rural Development note dated June 18, 2015; due in annual installments of \$46,830 through June 18, 2055; interest at 3.5%; secured by real property at 149 Eighth Ave.	936,012
\$650,000 note payable to a bank dated April 13, 2017; due in annual installments of \$92,857 through April 13, 2024; interest at 2.0%; secured by equipment	<u>338,000</u>
Total General Fund	<u>\$ 3,009,746</u>

The Town's outstanding notes from direct borrowings related to governmental activities of \$453,881 are secured with the equipment. The Town's outstanding notes from direct borrowings related to governmental activities of \$453,881 contain provisions that an event of default would result in (1) (a) the note becoming payable on demand, (b) the Secured Party taking possession of the collateral equipment, and (c) the lender exercising any sale or other rights accorded by law; (2) the assembly of the collateral to make available to the Secured Party.

The Town's outstanding notes from direct borrowings related to governmental activities of \$1,281,853 are secured with the facility. The Town's outstanding notes from direct borrowings related to governmental activities of \$1,281,853 contain provisions that an event of default would

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

result in (1) the note becoming immediately due and payable; (2) proceeding by appropriate court action to enforce Town’s performance of its covenants under the contract; (3) the lender exercising its rights as a secured party under the Uniform Commercial Code of the state with respect to the enforcement of the security interest granted in the agreement, including, but not limited to, taking possession of the facility; (4) termination of the contract.

The Town’s outstanding notes from direct borrowings related to governmental activities of \$936,012 are secured with the facility. The Town’s outstanding notes from direct borrowings related to governmental activities of \$936,012 contain provisions that an event of default would result in (1) the note becoming payable on demand; (2) proceeding by appropriate court action to enforce performance by the Town of the applicable covenants of this Agreement or to recover for the breach thereof; (3) the lender exercising its rights as a secured party under the Uniform Commercial Code of the state with respect to the enforcement of the security interest granted in the agreement, including, but not limited to, taking possession of the Apparatus/Facility, (4) termination of the contract to all or any of the Apparatus/Facility and use, operate, lease, or hold all or any part of the Apparatus/Facility.

The Town’s outstanding notes from direct placements related to governmental activities of \$338,000 are secured with the equipment. The Town’s outstanding notes from direct borrowings related to governmental activities of \$338,000 contain provisions that an event of default would result in (1) the note becoming immediately due and payable; (2) proceeding by appropriate court action to enforce the Town’s performance of the applicable covenants of the contract (3) the lender exercising its rights as a secured party under the Uniform Commercial Code of the state with respect to the enforcement of the security interest granted in the agreement, including, but not limited to, taking possession of the equipment, (4) pursuance of any other remedy available by the law.

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2021	\$ 138,399	\$ 103,297
2022	140,039	99,811
2023	141,740	96,254
2024	110,073	92,634
2025	52,471	88,951
2026-2030	292,173	414,937
2031-2035	348,943	358,167
2036-2040	416,889	290,221
2041-2045	498,245	208,865
2046-2050	536,213	112,767
2051-2055	334,561	28,722
Total	<u>\$ 3,009,746</u>	<u>\$ 1,894,626</u>

At June 30, 2020, the Town of Cramerton had a legal debt margin of \$44,254,911.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Town of Cramerton fiscal policy restricts direct net debt of 3% of total assessed property value and targets annual debt service to remain at or below 10% of total General Fund expenditures but, in any case, not to exceed 12% with an aggregate direct debt ten-year principal payout not to exceed 50% of expenditures. At June 30, 2020, the Town meets these self-imposed debt limits.

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Notes payable from direct borrowing and direct placement	\$ 3,163,449	\$ -	\$ 153,703	\$ 3,009,746	\$ 138,399
Compensated absences	67,402	3,847	4,499	66,750	32,215
Net pension liability (LGERS)	529,507	129,464	-	658,971	-
Total pension liability (LEO)	619,796	57,956	-	677,752	-
Other post-employment benefits	462,087	122,963	-	585,050	-
Governmental activity long-term liabilities	<u>\$ 4,842,241</u>	<u>\$ 314,230</u>	<u>\$ 158,202</u>	<u>\$ 4,998,269</u>	<u>\$ 170,614</u>

Compensated absences typically have been liquidated in the General Fund.

Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2020 consist of the following:

From the 29-74 Greenway Capital Fund to the General Fund To return a portion of excess funds after receipt of Gaston County Township Grant.	\$ 61,000
From the Street Repairs & Resurfacing Fund to the General Fund To return unspent funds and close project.	9
From the General Fund to the Town Hall Repair Project To provide for change orders on project.	(5,287)
From the General Fund to the Community Center Renovation To provide for change orders on project.	(5,201)
From the General Fund to the Fleet Acquisition Budgeted funds for future vehicle purchases.	(100,000)

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Balances due/from of \$385,748 between the General Fund and the 29-74 Greenway resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Net Investment in Capital Assets

Capital assets	\$ 8,941,071
Less:	
Related debt	<u>3,009,746</u>
Net investment in capital assets	<u>\$ 5,931,325</u>

Fund Balance

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

Total fund balance - General Fund	\$ 3,504,165
Less:	
Prepaid items	59,386
Stabilization by state statute	790,798
Streets - Powell Bill	62,789
Long-term note receivable	400,000
Long-term demolition receivable	16,573
Restricted for USDA reserves	141,700
Working capital fund balance policy	<u>2,048,040</u>
Remaining fund balance	<u>\$ (15,121)</u>

3. Jointly Governed Organizations

The Town, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,187 to the Council during the fiscal year ended June 30, 2020.

TOWN OF CRAMERTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. Summary Disclosures 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 agreement. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

5. Restatement

During the fiscal year ended June 30, 2020, the Town determined that certain long-term receivables were not properly recognized as revenue in the prior year. Beginning fund balance and related net position balances have been adjusted for that reporting error in the amount of \$416,573 for the General Fund.

6. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (Covid-19), a pandemic. As a result, economic uncertainties have arisen which may negatively impact Town revenues. At the current time, we are unable to quantify the potential effects of the pandemic.

TOWN OF CRAMERTON, NORTH CAROLINA

**SCHEDULE OF CHANGES IN THE TOTAL OPEB
LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS ***

Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 19,159	\$ 19,981	\$ 21,909
Interest	17,351	16,067	14,088
Differences between expected and actual experience	103,710	5,553	86
Changes of assumptions or other inputs	15,140	(17,338)	(29,496)
Benefit payments and implicit subsidy credit	<u>(32,397)</u>	<u>(26,764)</u>	<u>(19,906)</u>
Net change in total OPEB liability	122,963	(2,501)	(13,319)
Total OPEB liability - beginning	<u>462,087</u>	<u>464,588</u>	<u>477,907</u>
Total OPEB liability - ending	<u>\$ 585,050</u>	<u>\$ 462,087</u>	<u>\$ 464,588</u>
Covered payroll	\$ 1,323,020	\$ 1,150,489	\$ 1,150,489
Total OPEB liability as a percentage of covered payroll	44.22%	40.16%	40.38%

Notes to the Required Schedules:

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

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

* This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

TOWN OF CRAMERTON, NORTH CAROLINA**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)****REQUIRED SUPPLEMENTARY INFORMATION****LAST SEVEN FISCAL YEARS ***

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.02413%	0.02232%	0.02520%	0.02340%	0.02368%	0.0243%	0.0231%
Town's proportion of the net pension liability (asset) (\$)	\$ 658,971	\$ 529,507	\$ 344,043	\$ 497,478	\$ 106,276	\$ (143,189)	\$ 278,444
Town's covered payroll	\$ 1,442,127	\$ 1,442,127	\$ 1,352,913	\$ 1,330,570	\$ 1,277,518	\$ 1,421,210	\$ 1,367,696
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	45.69%	36.72%	25.43%	37.39%	8.32%	(10.08%)	20.36%
Plan fiduciary net position as percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

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

TOWN OF CRAMERTON, NORTH CAROLINA**CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 150,374	\$ 118,785	\$ 107,755	\$ 102,497	\$ 89,206	\$ 87,984	\$ 84,528
Contributions in relation to the contractually required contribution	<u>150,374</u>	<u>118,785</u>	<u>107,755</u>	<u>102,497</u>	<u>89,206</u>	<u>87,984</u>	<u>84,528</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cramerton's covered payroll	\$ 1,597,276	\$ 1,442,127	\$ 1,352,913	\$ 1,330,570	\$ 1,277,518	\$ 1,421,210	\$ 1,367,696
Contributions as a percentage of covered payroll	9.41%	8.24%	7.96%	7.70%	6.98%	6.19%	6.18%

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

TOWN OF CRAMERTON, NORTH CAROLINA

SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 619,796	\$ 596,152	\$ 190,466	\$ 178,905
Service cost	22,673	25,793	13,086	11,222
Interest on the total pension liability	21,515	18,324	7,352	6,387
in the measurement of the total pension liability	45,417	39,280	6,147	-
Changes of assumptions or other inputs	21,514	(27,864)	22,953	(6,048)
Benefit payments	(48,896)	(31,899)	-	-
Other changes	(4,267)	-	-	-
Ending balance of the total pension liability	<u>\$ 677,752</u>	<u>\$ 619,786</u>	<u>\$ 240,004</u>	<u>\$ 190,466</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF CRAMERTON, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Total pension liability	\$ 677,752	\$ 619,796	\$ 596,152	\$ 525,006
Covered payroll	783,260	703,145	682,779	690,915
Total pension liability as a percentage of covered payroll	86.53%	88.15%	87.31%	75.99%

Notes to the Schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF CRAMERTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 2,666,800	\$ 2,812,599		\$ 2,395,905
Penalties and interest	5,300	7,751		7,021
Total ad valorem taxes	<u>2,672,100</u>	<u>2,820,350</u>	\$ 148,250	<u>2,402,926</u>
Other Taxes:				
Privilege licenses	-	400		400
Total other taxes	<u>-</u>	<u>400</u>	400	<u>400</u>
Unrestricted Intergovernmental Revenues:				
Local option sales tax	836,000	942,355		915,167
Beer and wine tax	21,400	21,772		21,673
Electric utility franchise tax	202,000	212,413		211,740
Excise tax on piped natural gas	15,200	15,082		17,810
Sales tax on telecommunication	17,000	14,953		16,091
Sales tax on video programming	37,200	40,509		40,478
Unauthorized substance tax	13,500	14,120		2,700
ABC profit distribution	80,000	95,000		96,925
Total unrestricted intergovernmental revenues	<u>1,222,300</u>	<u>1,356,204</u>	133,904	<u>1,322,584</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	123,500	123,267		123,560
Solid waste disposal tax	3,500	3,831		3,727
ABC law enforcement distribution	500	2,000		114
Fire department OSFM grant	33,250	6,782		19,599
Police department uniform grant	1,500	1,566		1,348
Recreation department recycling grant	10,000	9,000		-
Gaston County SRO grant	15,000	36,000		15,000
Total restricted intergovernmental revenues	<u>187,250</u>	<u>182,446</u>	(4,804)	<u>163,348</u>
Permits and Fees:				
Zoning permits	125,000	16,448		37,978
Total permits and fees	<u>125,000</u>	<u>16,448</u>	(108,552)	<u>37,978</u>
Sales and Services:				
Recreation department fees	120,000	120,846		139,976
Total sales and services	<u>120,000</u>	<u>120,846</u>	846	<u>139,976</u>
Investment Earnings				
	<u>65,000</u>	<u>41,026</u>	(23,974)	<u>69,569</u>
Miscellaneous:				
McAdenville police service revenue	225,000	225,750		215,000
McAdenville fire service revenue	55,000	55,000		55,000
Building lease	28,500	28,452		28,452
Reimbursed engineering fees	180,000	173,738		146,952
Other	25,900	33,173		70,871
Total miscellaneous	<u>514,400</u>	<u>516,113</u>	1,713	<u>516,275</u>
Total revenues	<u>4,906,050</u>	<u>5,053,833</u>	147,783	<u>4,653,056</u>

TOWN OF CRAMERTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

	2020		2019
	Budget	Actual	Variance Over/Under
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	20,800	20,769	20,769
Other operating expenditures	51,600	38,328	39,971
Total governing body	72,400	59,097	13,303
Administration:			
Salaries and employee benefits	356,400	359,525	354,648
Professional services	142,500	124,444	124,902
Other operating expenditures	132,700	111,564	141,288
Total administration	631,600	595,533	36,067
Planning and Zoning:			
Salaries and employee benefits	124,900	126,536	70,633
Other operating expenditures	235,100	210,891	280,301
Total planning and zoning	360,000	337,427	22,573
Total general government	1,064,000	992,057	71,943
Public Safety:			
Police:			
Salaries and employee benefits	1,260,300	1,240,127	1,177,863
Fuel and vehicle maintenance	62,400	56,880	62,817
Other operating expenditures	273,500	241,098	709,901
Total police	1,596,200	1,538,105	58,095
Fire:			
Salaries and employee benefits	147,900	153,089	135,216
Fuel and vehicle maintenance	23,000	22,416	18,733
Other operating expenditures	108,500	80,539	84,594
Total fire	279,400	256,044	23,356
Total public safety	1,875,600	1,794,149	81,451
Public Works:			
Streets and Sanitation:			
Salaries and employee benefits	212,300	206,534	193,109
Fuel and vehicle maintenance	28,000	22,133	21,850
Other operating expenditures	273,600	231,682	230,058
Solid waste collection fees	247,000	253,092	241,834
Total public works	760,900	713,441	47,459
Recreation:			
Salaries and employee benefits	378,900	361,542	336,721
Fuel and vehicle maintenance	4,500	3,372	2,188
Other operating expenditures	488,700	433,762	319,055
Total recreation	872,100	798,676	73,424

TOWN OF CRAMERTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Capital Outlay:				
Buildings	-	-		56,460
Vehicles	218,000	215,296		161,165
Equipment	22,000	19,138		48,476
Other	265,000	168,413		113,916
Total capital outlay	505,000	402,847	102,153	380,017
Debt Service:				
Principal	153,700	153,703		151,931
Interest and other charges	107,100	106,234		110,247
Total debt service	260,800	259,937	863	262,178
Total expenditures	5,338,400	4,961,107	377,293	5,208,646
Revenues over (under) expenditures	(432,350)	92,726	525,076	(555,590)
Other Financing Sources (Uses):				
Operating transfers from other funds	-	61,009		130,817
Operating transfers to other funds	(111,201)	(110,488)		(889,500)
Sales of capital assets	15,000	5,600		103,100
Total other financing sources (uses)	(96,201)	(43,879)	52,322	(655,583)
Revenues and other financing sources over (under) expenditures and other financing uses	(528,551)	48,847	577,398	(1,211,173)
Appropriated fund balance	528,551	-	(528,551)	-
Net change in fund balance	\$ -	48,847	\$ 48,847	(1,211,173)
Fund Balance:				
Beginning of year - July 1		3,038,745		4,249,918
Restatement		416,573		-
Beginning of year - July 1, as restated		3,455,318		4,249,918
End of year - June 30		\$ 3,504,165		\$ 3,038,745

TOWN OF CRAMERTON, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND - 29-74 GREENWAY PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Revenues:					
Federal and state grants - USDOT	\$ 608,000	\$ 442,378	\$ 312,098	\$ 754,476	\$ 146,476
Other grants	198,500	148,500	50,000	198,500	-
Public contributions	5,000	5,000	-	5,000	-
Total revenues	<u>811,500</u>	<u>595,878</u>	<u>362,098</u>	<u>957,976</u>	<u>146,476</u>
Expenditures:					
Administrative costs	181,000	107,145	73,545	180,690	310
Engineering services	136,500	136,450	-	136,450	50
Construction costs	826,200	365,753	377,320	743,073	83,127
Non-grant construction costs	25,000	-	-	-	25,000
Total expenditures	<u>1,168,700</u>	<u>609,348</u>	<u>450,865</u>	<u>1,060,213</u>	<u>108,487</u>
Revenues over (under) expenditures	<u>(357,200)</u>	<u>(13,470)</u>	<u>(88,767)</u>	<u>(102,237)</u>	<u>254,963</u>
Other Financing Sources (Uses):					
Transfers from other funds:					
General Fund	465,400	465,400	-	465,400	-
Transfers to other funds:					
General Fund	<u>(108,200)</u>	<u>(47,200)</u>	<u>(61,000)</u>	<u>(108,200)</u>	<u>-</u>
Total	<u>357,200</u>	<u>418,200</u>	<u>(61,000)</u>	<u>357,200</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 404,730</u>	<u>(149,767)</u>	<u>\$ 254,963</u>	<u>\$ 254,963</u>
Fund Balance:					
Beginning of year, July 1			<u>404,730</u>		
End of year, June 30			<u>\$ 254,963</u>		

TOWN OF CRAMERTON, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND - TOWN HALL REPAIR PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		Total To Date	Variance Over/Under
		Prior Years	Current Year		
Expenditures:					
Engineering services	\$ 30,900	\$ 24,940	\$ 12,059	\$ 36,999	\$ (6,099)
Construction costs	463,300	-	529,864	529,864	(66,564)
Community center repair costs	73,800	-	28,394	28,394	45,406
Administrative costs	3,000	30	-	30	2,970
Contingency	25,000	-	-	-	25,000
Total expenditures	<u>596,000</u>	<u>24,970</u>	<u>570,317</u>	<u>595,287</u>	<u>713</u>
Revenues over (under) expenditures	(596,000)	(24,970)	(570,317)	(595,287)	713
Other Financing Sources (Uses):					
Transfers from other funds:					
General Fund	<u>596,000</u>	<u>590,000</u>	<u>5,287</u>	<u>595,287</u>	<u>(713)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 565,030</u>	(565,030)	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			<u>565,030</u>		
End of year, June 30			<u>\$ -</u>		

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TOWN OF CRAMERTON, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Stormwater Fund</u>	<u>Central Park Refurbishment Fund</u>	<u>Community Center Renovation Fund</u>
Assets:			
Cash and cash equivalents	\$ 172,401	\$ 127,630	\$ 776
Due from other governments	<u>17,465</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 189,866</u>	<u>\$ 127,630</u>	<u>\$ 776</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenditures	<u>\$ 17,551</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	17,465	-	-
Assigned:			
Assigned for stormwater maintenance	154,850	-	-
Assigned for general government	-	-	776
Assigned for recreation	<u>-</u>	<u>127,630</u>	<u>-</u>
Total fund balances	<u>172,315</u>	<u>127,630</u>	<u>776</u>
Total liabilities and fund balances	<u>\$ 189,866</u>	<u>\$ 127,630</u>	<u>\$ 776</u>

TOWN OF CRAMERTON, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Street Repairs & Resurfacing Project Fund	Fleet Acquisition Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ -	\$ 200,000	\$ 500,807
Due from other governments	-	-	17,465
Total assets	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 518,272</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 17,551
Fund Balances:			
Restricted:			
Stabilization by state statute	-	-	17,465
Assigned:			
Assigned for stormwater maintenance	-	-	154,850
Assigned for general government	-	200,000	200,776
Assigned for recreation	-	-	127,630
Total fund balances	<u>-</u>	<u>200,000</u>	<u>500,721</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 518,272</u>

TOWN OF CRAMERTON, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Stormwater Fund</u>	<u>Central Park Refurbishment Fund</u>	<u>Community Center Renovation Fund</u>
Revenues:			
Sales and services	\$ 191,748	\$ -	\$ -
Expenditures:			
Public works	234,236	-	-
Recreation	-	7,370	149,425
Total	<u>234,236</u>	<u>7,370</u>	<u>149,425</u>
Revenues over (under) expenditures	<u>(42,488)</u>	<u>(7,370)</u>	<u>(149,425)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	5,201
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,201</u>
Net change in fund balances	(42,488)	(7,370)	(144,224)
Fund Balances:			
Beginning of year - July 1	<u>214,803</u>	<u>135,000</u>	<u>145,000</u>
End of year - June 30	<u>\$ 172,315</u>	<u>\$ 127,630</u>	<u>\$ 776</u>

TOWN OF CRAMERTON, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Street Repairs & Resurfacing Project Fund	Fleet Acquisition Fund	Total Nonmajor Governmental Funds
Revenues:			
Sales and services	\$ -	\$ -	\$ 191,748
Expenditures:			
Public works	-	-	234,236
Recreation	-	-	156,795
Total	-	-	391,031
Revenues over (under) expenditures	-	-	(199,283)
Other Financing Sources (Uses):			
Transfers in	-	100,000	105,201
Transfers out	(9)	-	(9)
Total other financing sources (uses)	(9)	100,000	105,192
Net change in fund balances	(9)	100,000	(94,091)
Fund Balances:			
Beginning of year - July 1	9	100,000	594,812
End of year - June 30	\$ -	\$ 200,000	\$ 500,721

TOWN OF CRAMERTON, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Stormwater fees	\$ 185,000	\$ 191,748	\$ (6,748)
Expenditures:			
Salaries and employee benefits	124,500	124,000	500
Professional services	140,000	39,497	100,503
Construction supplies	56,000	65,503	(9,503)
Permits	1,000	860	140
Public information & education	1,000	-	1,000
Travel & training	1,000	-	1,000
Dues and subscriptions	500	1,500	(1,000)
Contracted collection service	2,800	2,876	(76)
Total expenditures	<u>326,800</u>	<u>234,236</u>	<u>92,564</u>
Revenues over (under) expenditures	(141,800)	(42,488)	(99,312)
Other Financing Sources (Uses):			
Appropriated fund balance	<u>141,800</u>	<u>-</u>	<u>141,800</u>
Net change in fund balance	<u>\$ -</u>	<u>(42,488)</u>	<u>\$ (42,488)</u>
Fund Balance:			
Beginning of year - July 1		<u>214,803</u>	
End of year - June 30		<u>\$ 172,315</u>	

TOWN OF CRAMERTON, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND - CENTRAL PARK REFURBISHMENT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Expenditures:					
Engineering services	\$ 15,000	\$ -	\$ 7,370	\$ 7,370	\$ 7,630
Grading and landscaping	35,000	-	-	-	35,000
Parking improvements	25,000	-	-	-	25,000
Trail surfacing	40,000	-	-	-	40,000
Mountain bike trail	18,000	-	-	-	18,000
Administrative costs	2,000	-	-	-	2,000
Total expenditures	<u>135,000</u>	<u>-</u>	<u>7,370</u>	<u>7,370</u>	<u>127,630</u>
Revenues over (under) expenditures	(135,000)	-	(7,370)	(7,370)	127,630
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
General Fund	<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>135,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 135,000</u>	<u>(7,370)</u>	<u>\$ 127,630</u>	<u>\$ 127,630</u>
Fund Balance:					
Beginning of year, July 1			<u>135,000</u>		
End of year, June 30			<u>\$ 127,630</u>		

TOWN OF CRAMERTON, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND - COMMUNITY CENTER RENOVATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Expenditures:					
Construction costs	\$ 141,201	\$ -	\$ 149,425	\$ 149,425	\$ (8,224)
Administrative costs	2,000	-	-	-	2,000
Contingency	7,000	-	-	-	7,000
Total expenditures	<u>150,201</u>	<u>-</u>	<u>149,425</u>	<u>149,425</u>	<u>776</u>
Revenues over (under) expenditures	(150,201)	-	(149,425)	(149,425)	776
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
General Fund	<u>150,201</u>	<u>145,000</u>	<u>5,201</u>	<u>150,201</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 145,000</u>	<u>(144,224)</u>	<u>\$ 776</u>	<u>\$ 776</u>
Fund Balance:					
Beginning of year, July 1			<u>145,000</u>		
End of year, June 30			<u>\$ 776</u>		

TOWN OF CRAMERTON, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND - STREET REPAIRS & RESURFACING PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Expenditures:					
Engineering services	\$ -	\$ 59,824	\$ -	\$ 59,824	\$ (59,824)
Repairs and resurfacing fund	838,000	807,997	-	807,997	30,003
Administrative costs	20,000	9,305	-	9,305	10,695
Total expenditures	<u>858,000</u>	<u>877,126</u>	<u>-</u>	<u>877,126</u>	<u>(19,126)</u>
Revenues over (under) expenditures	<u>(858,000)</u>	<u>(877,126)</u>	<u>-</u>	<u>(877,126)</u>	<u>(19,126)</u>
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
General Fund - Powell Bill	58,000	77,135	(9)	77,126	19,126
Stormwater Fund	150,000	150,000	-	150,000	-
Proceeds from borrowing	<u>650,000</u>	<u>650,000</u>	<u>-</u>	<u>650,000</u>	<u>-</u>
Total	<u>858,000</u>	<u>877,135</u>	<u>(9)</u>	<u>877,126</u>	<u>19,126</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9</u>	<u>(9)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			<u>9</u>		
End of year, June 30			<u>\$ -</u>		

TOWN OF CRAMERTON, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND - FLEET ACQUISITION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	
Other Financing Sources (Uses):					
Transfer to General Fund	\$ (200,000)	\$ -	\$ -	\$ -	\$ 200,000
Transfer from General Fund	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>	<u>-</u>
Total	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 100,000</u>	100,000	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Fund Balance:					
Beginning of year, July 1			<u>100,000</u>		
End of year, June 30			<u>\$ 200,000</u>		

TOWN OF CRAMERTON, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 2,806,339	\$ 2,790,749	\$ 15,590
2018 - 2019	10,556	-	6,494	4,062
2017 - 2018	7,548	-	4,186	3,362
2016 - 2017	3,590	-	783	2,807
2015 - 2016	2,668	-	418	2,250
2014 - 2015	3,730	-	645	3,085
2013 - 2014	5,815	-	1,170	4,645
2012 - 2013	5,441	-	1,252	4,189
2011 - 2012	6,655	-	1,415	5,240
2010 - 2011	3,429	-	1,198	2,231
2009 - 2010	3,207	-	3,207	-
2008 - 2009	917	-	917	-
Total	<u>\$ 53,556</u>	<u>\$ 2,806,339</u>	<u>\$ 2,812,434</u>	<u>47,461</u>
Less: Allowance for uncollectible accounts				<u>(25,971)</u>
Ad valorem taxes receivable, net				<u>\$ 21,490</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 2,812,599
Reconciling items:				
Penalties and interest collected				(7,751)
Miscellaneous adjustments				3,462
Taxes written off				<u>4,124</u>
Total collections and credits				<u>\$ 2,812,434</u>

TOWN OF CRAMERTON, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Town-Wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 596,036,842	\$ 0.4750	\$ 2,831,175	\$ 2,575,351	\$ 255,824
Abatements:					
Current year taxes	<u>(5,228,632)</u>	0.4750	<u>(24,836)</u>	<u>(24,836)</u>	<u>-</u>
Total property valuation	<u>\$ 590,808,210</u>				
Net Levy			2,806,339	2,550,515	255,824
Uncollected taxes at June 30, 2020			<u>15,590</u>	<u>15,590</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 2,790,749</u>	<u>\$ 2,534,925</u>	<u>\$ 255,824</u>
Current Levy Collection Percentage			<u>99.44%</u>	<u>99.39%</u>	<u>100.00%</u>

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Cramerton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Cramerton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report, thereon, dated October 12, 2020. Our report includes a reference to other auditors who audited the financial statements of the Cramerton ABC Board, as described in our report on the Town of Cramerton, North Carolina's financial statements. The financial statements of the Cramerton ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Cramerton ABC Board.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 to be a significant deficiency.

Compliance and Other Matters

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

Responses to Findings

The Town of Cramerton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Cramerton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 12, 2020

TOWN OF CRAMERTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? X Yes None reported

Non-compliance material to financial statements noted?

 Yes X No

TOWN OF CRAMERTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2020-001:

Significant Deficiency

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Due to the limited number of personnel in the Town office, there are inherent limitations to segregation of duties among Town personnel. Presently, a single individual has the ability to prepare, post, and approve journal entries.

Effect: Adjustments to the general ledger account balances could be made without oversight.

Cause: There are a limited number of personnel for certain functions in the Town.

Recommendation: Ideally, the individual preparing or proposing journal entries should not have access to post the entries. To the extent possible, alternative controls should be used to compensate for any lack of segregation of duties. A Board member could review a report listing of adjusting journal entries on a monthly basis to detect unauthorized or otherwise inaccurate adjustments to the general ledger.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

TOWN OF CRAMERTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2020-002:

Material Weakness

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Revenues related to project activity, long-term note receivables and other receivables had been excluded from the prior year financial statements. A prior period adjustment was required to correct material errors. A significant audit adjustment is a proposed correction of the basic financial statements. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors timely. We have provided management with a report of these adjustments.

Effect: Errors in financial reporting occurred in governmental activities.

Cause: The Town excluded revenues related to project activity, long-term receivables and other receivables in the prior year's financial statements.

Recommendation: Care should be taken to ensure that revenue and receivable records are reconciled to the financial statements in a timely manner.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

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TOWN OF CRAMERTON

est. 1915

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

Significant Deficiencies

Finding 2020-001:

Name of Contact Person: Joel F. Lineberger, CPA

Corrective Action: The Town has segregated duties to the extent possible with our limited staff and existing capabilities. To address the issue of financial oversight of the accounting function we have implemented the following procedures:

- Monthly general journal entries, upon completion, will be transmitted by email to the town manager, mayor or mayor pro tempore for review and response to any questions or comments they may have,
- Monthly financial report will be enhanced to include a schedule of checks written with explanation of material expenditures the purpose of which may not otherwise be apparent,
- Monthly financial report, heretofore distributed by hardcopy, will be transmitted to the town manager, mayor and board of commissioners in electronic format to document distribution.

Proposed Completion Date: Immediately.

TOWN OF CRAMERTON

est. 1915

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

Material Weakness

Finding 2020-002:

Name of Contact Person: Joel F. Lineberger, CPA

Corrective Action: The transaction giving rise to this finding dates back to Fiscal Year 2008 and was not properly recorded then. In an attempt to reflect the transaction an incorrect adjusting entry was made in Fiscal Year 2015. To reduce the likelihood of similar financial reporting misstatements we have implemented the following procedures:

For transactions of a non-recurring nature or involving complex accounting issues giving rise to any uncertainty as to proper accounting treatment and disclosure issues, management will consult independent auditors for guidance.

Proposed Completion Date: Immediately

TOWN OF CRAMERTON, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

None reported.

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