

**REVIEWED**

*By SLGFD at 12:19 pm, Dec 08, 2021*

## **Town of Four Oaks**

Financial Statements

**For the Fiscal Year Ended June 30, 2020**

### **Town Board Members**

Linwood Parker, Mayor

Andy Hardy, Commissioner of Finance

John Hatch, Commissioner of Police

Mike Hines, Commissioner of Parks and Recreation and Outreach

Vic Medlin, Commissioner of Water and Sewer

Carles Surles, Commissioner of Sanitation and Streets

### **Administrative and Financial Staff**

Martha Garris, Town Clerk

**Town of Four Oaks, North Carolina**  
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**June 30, 2020**

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## **Financial Section**



## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Four Oaks, 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 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 55 through 56, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

*Andrew Harris, CPA PLLC*

*Farmville, North Carolina*

*July 28, 2021*



## **Management's Discussion and Analysis**

**Town of Four Oaks, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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

**Financial Highlights**

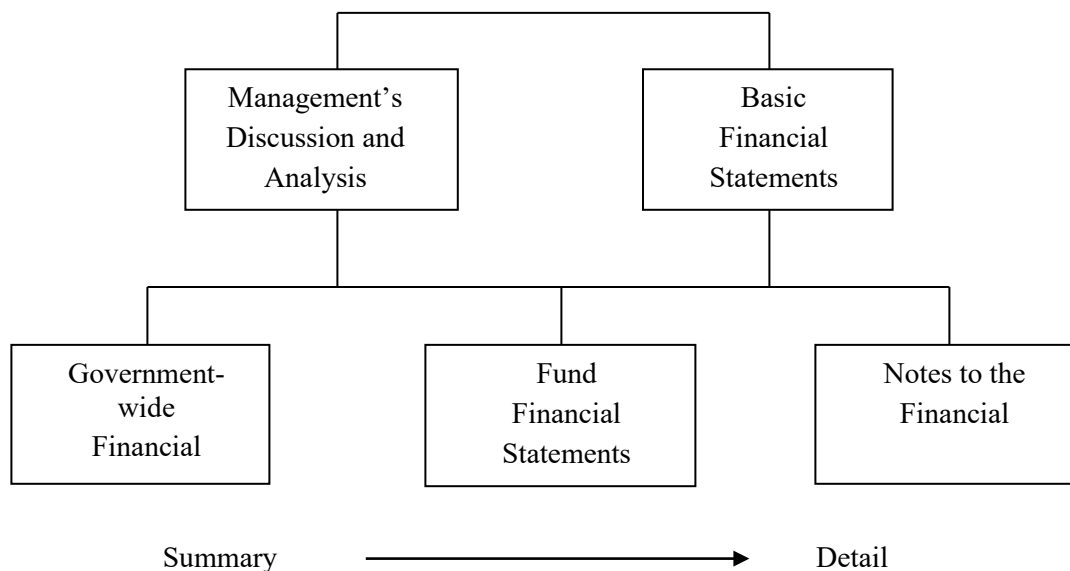
- The assets and deferred outflows of resources of the Town of Four Oaks exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,931,346 (net position).
- The government's total net position increased a total of \$103,315, primarily due to an increase in the governmental activities net position.
- At the close of the current fiscal year, the Town of Four Oaks' governmental funds reported combined ending fund balances of \$805,479 with a net change of \$119,830 in fund balance. Approximately 33.90 percent of this total amount, or \$273,046, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$532,433, or 26.36 percent of total general fund expenditures for the fiscal year.
- The Town of Four Oaks' total debt decreased by \$123,239 during the current fiscal year. The key factor in this decrease was the decrease in installment purchase note.

**Overview of the Financial Statements**

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

**Town of Four Oaks, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

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



### **Basic Financial Statements**

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

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

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

### **Government-wide Financial Statements**

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

**Town of Four Oaks, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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

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

### **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Four Oaks, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Four Oaks can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town of Four Oaks' 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

**Town of Four Oaks, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Four Oaks' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53 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 flow of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

**Town of Four Oaks, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

**Government-wide Financial Analysis**  
**Town of Four Oaks' Net Position**  
**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 836,248	\$ 697,141	\$ 1,198,052	\$ 1,178,529	\$ 2,034,300	\$ 1,875,670
Capital assets	1,200,315	1,271,401	2,539,863	2,565,973	3,740,178	3,837,374
Deferred outflows of resources	145,906	167,860	39,803	55,031	185,709	222,891
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$2,182,469</b>	<b>\$2,136,402</b>	<b>\$3,777,718</b>	<b>\$3,799,533</b>	<b>\$5,960,187</b>	<b>\$5,935,935</b>
Long-term liabilities outstanding	\$ 1,154,985	\$ 1,111,559	\$ 620,362	\$ 683,357	\$ 1,775,347	\$ 1,794,916
Other liabilities	45,451	128,918	178,023	170,387	223,474	299,305
Deferred inflows of resources	25,383	11,615	4,637	2,068	30,020	13,683
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$1,225,819</b>	<b>\$1,252,092</b>	<b>\$ 803,022</b>	<b>\$ 855,812</b>	<b>\$2,028,841</b>	<b>\$2,107,904</b>
Net position:						
Net investments in capital assets	\$ 364,581	\$ 353,126	\$ 1,923,210	\$ 1,887,239	\$ 2,287,791	\$ 2,240,365
Restricted	273,046	266,943	-	29,558	273,046	296,501
Unrestricted	319,023	264,241	1,051,486	1,026,924	1,370,509	1,291,165
<b>Total Net Position</b>	<b>\$ 956,650</b>	<b>\$ 884,310</b>	<b>\$2,974,696</b>	<b>\$2,943,721</b>	<b>\$3,931,346</b>	<b>\$3,828,031</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Four Oaks exceeded liabilities and deferred inflows by \$3,931,346 as of June 30, 2020. The Town's net position increased by \$103,315 for the fiscal year ended June 30, 2020. However, the largest portion (58.19%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Four Oaks uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Four Oaks' net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Four Oaks' net position, \$273,046 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,370,509 is unrestricted.

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

**Town of Four Oaks, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.49%, which is comparable to the statewide average. The statewide average in fiscal year 2020 was approximately 99%.

**Town of Four Oaks' Changes in Net Position  
Figure 3**

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 501,554	\$ 378,704	\$ 1,291,112	\$ 1,108,608	\$ 1,792,666	\$ 1,487,312
Operating grants and contributions	111,641	133,721	-	-	111,641	133,721
Capital grants and contributions	-	35,000	37,409	-	37,409	35,000
General Revenues:						
Property taxes	978,301	883,120	-	-	978,301	883,120
Other taxes	2,700	2,468	-	-	2,700	2,468
Grants and contributions not restricted to specific programs	498,814	475,896	-	-	498,814	475,896
Other	49,689	46,671	22,653	7,362	72,342	54,033
Total Revenues	<u>\$ 2,142,699</u>	<u>\$ 1,955,580</u>	<u>\$ 1,351,174</u>	<u>\$ 1,115,970</u>	<u>\$ 3,493,873</u>	<u>\$ 3,071,550</u>
Expenses:						
General government	\$ 478,361	\$ 523,002	\$ -	\$ -	\$ 478,361	\$ 523,002
Public safety	784,457	701,751	-	-	784,457	701,751
Transportation	426,702	349,637	-	-	426,702	349,637
Environmental protection	224,167	172,738	-	-	224,167	172,738
Cultural and recreation	149,914	155,258	-	-	149,914	155,258
Interest on long-term debt	6,758	40,010	28,451	50,436	35,209	90,446
Water and sewer	-	-	1,291,748	1,102,534	1,291,748	1,102,534
Total Expenses	<u>\$ 2,070,359</u>	<u>\$ 1,942,396</u>	<u>\$ 1,320,199</u>	<u>\$ 1,152,970</u>	<u>\$ 3,390,558</u>	<u>\$ 3,095,366</u>
Increase in Net Position	\$ 72,340	\$ 13,184	\$ 30,975	\$ (37,000)	\$ 103,315	\$ (23,816)
Net Position, beginning	<u>884,310</u>	<u>871,126</u>	<u>2,943,721</u>	<u>2,980,721</u>	<u>3,828,031</u>	<u>3,851,847</u>
Net Position, June 30	<u>\$ 956,650</u>	<u>\$ 884,310</u>	<u>\$ 2,974,696</u>	<u>\$ 2,943,721</u>	<u>\$ 3,931,346</u>	<u>\$ 3,828,031</u>

**Governmental activities.** Governmental activities increased the Town of Four Oaks' net position by \$72,340, thereby accounting for 70.02% of the total increase in the net position of the Town. The Town continues to work to reduce expenses and increase revenues for the benefit of all of the Town's citizens.

**Town of Four Oaks, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

**Business-type activities.** Business-type activities increased the Town of Four Oaks' net position by \$30,975, thereby accounting for 29.98% of the total increase in the government's net position. Revenues and expenses are being monitored in the water and sewer departments.

**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Four Oaks' 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 Four Oaks' financing requirements.

The general fund is the chief operating fund of the Town of Four Oaks. At the end of the current fiscal year, the Town of Four Oaks' fund balance available in the General Fund was \$532,433, while total fund balance was \$777,499. The Governing Body of the Town of Four Oaks has determined the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 26.36 percent of General Fund expenditures, while total fund balance represents 38.49 percent of the same amount.

At June 30, 2020, the governmental funds of Town of Four Oaks reported a combined fund balance of \$805,479, an 17.48 percent increase over last year. Included in this change in fund balance are changes in fund balance in the General Fund and the non-major fund.

**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.

Reserves were greater than the budgeted amounts primarily because tax distributions and building permits that the Town originally had expected to receive were greater than originally budgeted. Expenditures were held in check to help keep the expenditures of the Town under the projected budget amounts.

**Proprietary Funds.** The Town of Four Oaks' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,051,486. The total increase in net position for the fund was \$30,975. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**Capital Asset and Debt Administration**



**Town of Four Oaks, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

**Capital assets.** The Town of Four Oaks' investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$3,740,177 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Construction in progress totaling \$85,318.

**Town of Four Oaks' Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 154,163	\$ 154,163	\$ 48,416	\$ 48,416	\$ 202,579	\$ 202,579
Construction in progress	-	-	85,318	-	85,318	-
Buildings and system	271,810	281,583	2,321,284	2,401,040	2,593,094	2,682,623
Machinery and equipment	103,950	128,981	64,586	77,847	168,536	206,828
Infrastructure	584,411	669,261	-	-	584,411	669,261
Vehicles and motorized equipment	85,981	37,413	4,058	6,270	90,039	43,683
Intangible assets	-	-	16,200	32,400	16,200	32,400
Total	\$ 1,200,315	\$ 1,271,401	\$ 2,539,862	\$ 2,565,973	\$ 3,740,177	\$ 3,837,374

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

**Long-term Debt.** As of June 30, 2020, the Town of Four Oaks had total bonded debt outstanding of \$475,000.

**Loans and Installment Purchase Agreements  
Figure 5**

**Town of Four Oaks, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue bonds	\$ -	\$ -	\$ 475,000	\$ 486,000	\$ 475,000	\$ 486,000
Installment purchase note	835,734	918,275	141,652	192,734	977,386	1,111,009
Compensated absences	26,854	22,229	6,953	10,092	33,807	32,321
Net pension liability	232,745	208,250	67,930	66,704	300,675	274,954
Total pension liability	59,652	65,475	-	-	59,652	65,475
Total	\$1,154,985	\$1,214,229	\$ 691,535	\$ 755,530	\$1,846,520	\$1,969,759

### **Town of Four Oaks' Outstanding Debt**

The Town of Four Oaks' total debt decreased by \$123,239 (6.26%) during the past fiscal year, primarily due to the decrease in installment purchase note.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Four Oaks is \$14,712,774. The Town has no bonds authorized but unissued at June 30, 2020.

Additional information regarding the Town of Four Oaks' long-term debt can be found in Notes to the Financial Statements.

### **Economic Factors and Next Year's Budgets and Rates**

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

- Close proximity to the triangle area and interstate I-40 and I-95.
- Industrial Park has been developed near town limits.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities.** Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue. The Town will use these increases in revenues to finance programs currently in place.

**Business-type Activities.** Extensions of water and sewer service are continuing.

### **Requests for Information**

**Town of Four Oaks, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk during regular working hours Monday through Friday, telephone (919) 963-3112, Post Office Box 610, Four Oaks, NC 27524, e-mail [mgarris@embarqmail.com](mailto:mgarris@embarqmail.com).

## **Basic Financial Statements**

## Town of Four Oaks, North Carolina

## Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 558,138	\$ 754,870	\$ 1,313,008
Investments	25,888	-	25,888
Taxes receivables (net)	5,044	-	5,044
Accounts receivable (net)	179,614	114,655	294,269
Internal balances	505	(505)	-
Interest receivable	-	105	105
Refunds receivable	-	14,346	14,346
Inventories	-	49,907	49,907
Prepaid items	-	207,859	207,859
Restricted cash and cash equivalents	67,059	56,815	123,874
Total Current Assets	\$ 836,248	\$ 1,198,052	\$ 2,034,300
Non-current Assets:			
Capital assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	\$ 154,163	\$ 133,734	\$ 287,897
Other capital assets, net of depreciation	1,046,152	2,406,129	3,452,281
Total Capital Assets	\$ 1,200,315	\$ 2,539,863	\$ 3,740,178
Total Assets	\$ 2,036,563	\$ 3,737,915	\$ 5,774,478
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contribution to pension plan	52,769	15,401	68,170
Pension deferrals	93,137	24,402	117,539
Total Deferred Outflows of Resources	\$ 145,906	\$ 39,803	\$ 185,709
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 27,823	\$ 46,017	\$ 73,840
Accrued interest payable	17,628	4,018	21,646
Customer deposits	-	56,815	56,815
Current portion of long-term liabilities	77,320	71,173	148,493
Total Current Liabilities	\$ 122,771	\$ 178,023	\$ 300,794
Long-term Liabilities:			
Net pension liability	232,745	67,930	300,675
Total pension liability	59,652	-	59,652
Installment purchase agreements - noncurrent (net)	785,268	88,432	873,700
Revenue bond payable - noncurrent	-	464,000	464,000
Total Noncurrent Liabilities	\$ 1,077,665	\$ 620,362	\$ 1,698,027
Total Liabilities	\$ 1,200,436	\$ 798,385	\$ 1,998,821
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	\$ -	\$ 2,326	\$ 2,326
Pension deferrals	25,383	2,311	27,694
Total deferred inflows of resources	\$ 25,383	\$ 4,637	\$ 30,020
<b>NET POSITION</b>			
Net investment in capital assets	\$ 364,581	\$ 1,923,210	\$ 2,287,791
Restricted for:			
Debt service	64,947	-	64,947
Stabilization by State Statute	180,119	-	180,119
Cultural and recreation	27,980	-	27,980
Unrestricted	319,023	1,051,486	1,370,509
Total Net Position	\$ 956,650	\$ 2,974,696	\$ 3,931,346

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

**Town of Four Oaks, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital Grants	Primary Government		
		Services	Grants and Contributions	and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 478,361	\$ 171,689	\$ -	\$ -	\$ (306,672)	\$ -	\$ (306,672)
Public safety	784,457	-	48,000	-	(736,457)	-	(736,457)
Transportation	426,702	-	62,046	-	(364,656)	-	(364,656)
Environmental protection	224,167	309,874	1,595	-	87,302	-	87,302
Economic and physical development	-	-	-	-	-	-	-
Human services	-	5,057	-	-	5,057	-	5,057
Cultural and recreation	149,914	14,934	-	-	(134,980)	-	(134,980)
Interest on long-term debt	6,758	-	-	-	(6,758)	-	(6,758)
Total Governmental Activities (See Note 1)	\$ 2,070,359	\$ 501,554	\$ 111,641	\$ -	\$ (1,457,164)	\$ -	\$ (1,457,164)
Business-type Activities:							
Water and sewer	\$ 1,320,199	\$ 1,291,112	\$ -	\$ 37,409	\$ -	\$ 8,322	\$ 8,322
Total Business-type Activities	\$ 1,320,199	\$ 1,291,112	\$ -	\$ 37,409	\$ -	\$ 8,322	\$ 8,322
Total Primary Government	\$ 3,390,558	\$ 1,792,666	\$ 111,641	\$ 37,409	\$ (1,457,164)	\$ 8,322	\$ (1,448,842)
<b>General Revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					\$ 978,301	\$ -	\$ 978,301
Other taxes					2,700	-	2,700
Grants and contributions not restricted to specific programs					498,814	-	498,814
Unrestricted investment earnings					8,545	22,653	31,198
Insurance recovery					-	-	-
Miscellaneous					41,144	-	41,144
Total General Revenues and Transfers					\$ 1,529,504	\$ 22,653	\$ 1,552,157
Change in Net Position					72,340	30,975	103,315
Net Position, beginning					884,310	2,943,721	3,828,031
Net Position, ending					\$ 956,650	\$ 2,974,696	\$ 3,931,346

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

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

	<b>General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 560,236	\$ -	\$ 560,236
Restricted cash	64,967	2,092	67,059
Investments	-	25,888	25,888
Receivables, net:			
Taxes	5,044	-	5,044
Accounts	34,606	-	34,606
Due from other governments	145,008	-	145,008
Due from other funds	505	-	505
Total Assets	<u>\$ 810,366</u>	<u>\$ 27,980</u>	<u>\$ 838,346</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 27,823	\$ -	\$ 27,823
Total Liabilities	<u>\$ 27,823</u>	<u>\$ -</u>	<u>\$ 27,823</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	\$ 5,044	\$ -	\$ 5,044
Total Deferred Inflows of Resources	<u>\$ 5,044</u>	<u>\$ -</u>	<u>\$ 5,044</u>
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	\$ 180,119	\$ -	\$ 180,119
Debt service	64,947	-	64,947
Cultural and recreation	-	27,980	27,980
Unassigned	532,433	-	532,433
Total Fund Balances	<u>\$ 777,499</u>	<u>\$ 27,980</u>	<u>\$ 805,479</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 810,366</u></u>	<u><u>\$ 27,980</u></u>	

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

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

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

Total Fund Balance, Governmental Funds	\$ 805,479
Capital assets used in governmental activities are not financial	1,200,315
Net pension liability	(232,745)
Total pension liability	(59,652)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	52,769
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	5,044
Long-term liabilities used in governmental activities are not financial uses and are not reported in the funds:	
Gross long-term debt	(864,686)
Pension related deferrals	67,754
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(17,628)
Net Position of Governmental Activities	\$ 956,650

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



**Town of Four Oaks, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 977,241	\$ -	\$ 977,241
Unrestricted intergovernmental	516,027	-	516,027
Restricted intergovernmental	111,641	-	111,641
Permits and fees	174,285	-	174,285
Sales and services	328,819	-	328,819
Investment earnings	8,886	705	9,591
Miscellaneous	23,765	-	23,765
Total Revenues	<u>\$ 2,140,664</u>	<u>\$ 705</u>	<u>\$ 2,141,369</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 345,846	\$ -	\$ 345,846
Public safety	823,846	-	823,846
Transportation	314,920	-	314,920
Environmental protection	288,205	-	288,205
Culture and recreation	129,627	1,777	131,404
Debt Service:			
Principal	40,210	-	40,210
Interest and other charges	48,104	-	48,104
Capital outlay	29,274	-	29,274
Total Expenditures	<u>\$ 2,020,032</u>	<u>\$ 1,777</u>	<u>\$ 2,021,809</u>
Excess (Deficiency) of Revenues Over Expenditures	120,632	(1,072)	119,560
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of assets	\$ 270	\$ -	\$ 270
Total other financing sources	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 270</u>
Net Change in Fund Balance	\$ 120,902	\$ (1,072)	\$ 119,830
Fund Balances, beginning	656,597	29,052	685,649
Fund Balances, ending	<u><u>\$ 777,499</u></u>	<u><u>\$ 27,980</u></u>	<u><u>\$ 805,479</u></u>

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

**Town of Four Oaks, North Carolina**  
**Reconciliation of the Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds		\$ 119,830
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period		
Capital outlay expenditures which were capitalized	98,355	
Depreciation expense for governmental assets	<u>(169,441)</u>	\$ (71,086)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		52,769
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		1,060
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	80,329	
Decrease in accrued interest payable	<u>1,226</u>	\$ 81,555
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	\$ (4,625)	
Pension expense	<u>(107,163)</u>	\$ (111,788)
Total changes in net position of governmental activities		<u>\$ 72,340</u>

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

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

	<b>General Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 955,000	\$ 977,241	\$ 977,241	\$ -
Unrestricted intergovernmental	454,000	517,833	516,027	(1,806)
Restricted intergovernmental	111,300	153,041	111,641	(41,400)
Permits and fees	44,350	174,285	174,285	-
Sales and services	302,900	323,184	328,819	5,635
Investment earnings	1,400	8,876	8,886	10
Miscellaneous	13,100	23,766	23,765	(1)
Total revenues	<u>\$ 1,882,050</u>	<u>\$ 2,178,226</u>	<u>\$ 2,140,664</u>	<u>\$ (37,562)</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 423,014	\$ 351,440	\$ 345,846	\$ 5,594
Public safety	726,925	1,026,122	853,120	173,002
Transportation	230,760	318,148	314,920	3,228
Environmental protection	270,300	289,469	288,205	1,264
Cultural and recreation	142,780	130,003	129,627	376
Debt service:				
Principal retirement	40,211	40,210	40,210	-
Interest and other charges	48,060	48,104	48,104	-
Total expenditures	<u>\$ 1,882,050</u>	<u>\$ 2,203,496</u>	<u>\$ 2,020,032</u>	<u>\$ 183,464</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of assets	\$ -	\$ 270	\$ 270	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ 270</u>	<u>\$ -</u>
Revenues over (under) expenditures and other financing sources	\$ -	\$ (25,000)	\$ 120,902	\$ 145,902
Fund balance appropriated	-	25,000	-	(25,000)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,902</u>	<u>\$ 120,902</u>
Fund balances, beginning			656,597	
Fund balances, ending			<u>\$ 777,499</u>	

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

**Town of Four Oaks, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 754,870	\$ 754,870
Accounts receivable (net) - billed	114,655	114,655
Interest receivable	105	105
Refunds receivable	14,346	14,346
Inventories	49,907	49,907
Prepaid items	207,859	207,859
Restricted cash and cash equivalents	56,815	56,815
Total Current Assets	<u>\$ 1,198,557</u>	<u>\$ 1,198,557</u>
Noncurrent Assets:		
Capital Assets:		
Land and other nondepreciable assets	133,734	133,734
Other capital assets, net of depreciation	2,406,129	2,406,129
Capital Assets	<u>\$ 2,539,863</u>	<u>\$ 2,539,863</u>
Total Noncurrent Assets	<u>\$ 2,539,863</u>	<u>\$ 2,539,863</u>
Total Assets	<u><u>\$ 3,738,420</u></u>	<u><u>\$ 3,738,420</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contribution to pension plan	15,401	15,401
Pension deferrals	24,402	24,402
Total Deferred Outflows of Resources	<u>\$ 39,803</u>	<u>\$ 39,803</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 50,035	\$ 50,035
Due to other funds	505	505
Compensated absences - current	6,953	6,953
Installment purchase contract - current	53,220	53,220
Revenue bond payable - current	11,000	11,000
Liabilities payable from restricted assets:		
Customer deposits	56,815	56,815
Total Current Liabilities	<u>\$ 178,528</u>	<u>\$ 178,528</u>
Noncurrent Liabilities:		
Net pension liability	67,930	67,930
Other Noncurrent Liabilities:		
Installment purchase contract - noncurrent	88,432	88,432
Revenue bond payable - noncurrent	464,000	464,000
Total Noncurrent Liabilities	<u>\$ 620,362</u>	<u>\$ 620,362</u>
Total Liabilities	<u><u>\$ 798,890</u></u>	<u><u>\$ 798,890</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	\$ 2,326	\$ 2,326
Pension deferrals	2,311	2,311
Total Deferred Inflows of Resources	<u>\$ 4,637</u>	<u>\$ 4,637</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,923,210	\$ 1,923,210
Unrestricted	1,051,486	1,051,486
Total Net Position	<u><u>\$ 2,974,696</u></u>	<u><u>\$ 2,974,696</u></u>
Net Position of Business-type Activities		<u><u>\$ 2,974,696</u></u>

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

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

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,170,816	\$ 1,170,816
Water and sewer taps	50,675	50,675
Other operating revenues	69,621	69,621
Total Operating Revenues	<u>\$ 1,291,112</u>	<u>\$ 1,291,112</u>
<b>OPERATING EXPENSES</b>		
Administration	\$ 172,405	\$ 172,405
Water distribution	462,362	462,362
Waste collection and treatment	545,553	545,553
Depreciation	95,228	95,228
Amortization	16,200	16,200
Total Operating Expenses	<u>\$ 1,291,748</u>	<u>\$ 1,291,748</u>
Operating Income (Loss)	<u>\$ (636)</u>	<u>\$ (636)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 22,653	\$ 22,653
Capital contribution	37,409	37,409
Interest and other charges	(28,451)	(28,451)
Total Nonoperating Revenue (Expenses)	<u>\$ 31,611</u>	<u>\$ 31,611</u>
Income (loss) before contributions	30,975	30,975
Change in Net Position	30,975	30,975
Total Net Position, beginning	2,943,721	2,943,721
Total Net Position, ending	<u><u>\$ 2,974,696</u></u>	<u><u>\$ 2,974,696</u></u>
Net Position - Business-type Activities		<u><u>\$ 2,974,696</u></u>

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

**Town of Four Oaks, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,201,358	\$ 1,201,358
Cash paid for goods and services	(1,166,246)	(1,166,246)
Cash paid for or on behalf of employees for services	(209,281)	(209,281)
Customer deposits, net	2,825	2,825
Other operating revenues	69,621	69,621
Net Cash Provided (Used) by Operating Activities	<u>\$ (101,723)</u>	<u>\$ (101,723)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	\$ (85,318)	\$ (85,318)
Capital contribution	37,409	37,409
Principal paid on bond maturities and equipment contracts	(61,154)	(61,154)
Interest paid on bond maturities and equipment contracts	(29,379)	(29,379)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (138,442)</u>	<u>\$ (138,442)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	22,653	22,653
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (217,512)	\$ (217,512)
Balances, beginning	1,029,197	1,029,197
Balances, ending	<u>\$ 811,685</u>	<u>\$ 811,685</u>
Cash and cash equivalents	\$ 754,870	\$ 754,870
Restricted cash	56,815	56,815
	<u>811,685</u>	<u>811,685</u>

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

**Town of Four Oaks, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Water and Sewer Fund</b>	<b>Total</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (636)	\$ (636)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	95,228	95,228
Amortization	16,200	16,200
Increase in accounts receivable	(29,177)	(29,177)
Increase in prepaid items	(207,859)	(207,859)
Decrease in deferred outflows of resources - pensions	15,228	15,228
Increase in net pension liability	1,226	1,226
Increase in deferred inflows of resources - pensions	243	243
Decrease in accounts payable and accrued liabilities	5,810	5,810
Increase in customer deposits	2,825	2,825
Increase in unearned revenue	2,327	2,327
Increase in accrued vacation pay	(3,138)	(3,138)
Total Adjustments	\$ (101,087)	\$ (101,087)
Net Cash Provided by Operating Activities	\$ (101,723)	\$ (101,723)

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

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Four Oaks is a municipal corporation that is governed by an elected mayor and a five-member board. The Town of Four Oaks is located in the eastern area of the state and has a population of 2,208. The Town maintains its Police Department and sanitation operations. The Town of Four Oaks also operates water and sewer utilities for the incorporated area. The Town also has a volunteer Fire Department located within the corporate limits, which is independently operated by the local citizens. The Town does, however, make a contribution to the Fire Department to help defray operating costs. The Town also pays the salary for one full-time fire fighter.

**B. Basis of Presentation**

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

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

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



**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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

The Town reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

**PT George Endowment Fund.** This fund is used to account for the Town's investment income and expenditures for the beautification of the Town of Four Oaks area.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Four Oaks because the tax is levied by Johnston 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.

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**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

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

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

The restricted assets in the Water and Sewer Fund represent an accumulation required by USDA to have one years' payment in reserve at all times in case the payment is not made timely. Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of

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local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

**Town of Four Oaks Restricted Cash**

Governmental Activities:

General Fund

USDA - loan requirements	\$ 64,967
PT George Endowment Fund	
Cultural and recreation investment account	2,092
Total Governmental Activities	<u>\$ 67,059</u>

Business-type Activities:

Water and Sewer Fund

Customer deposits	\$ 56,815
Total Business-type Activities	<u>\$ 56,815</u>
Total Restricted Cash	<u><u>\$ 123,874</u></u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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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.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$500; infrastructure, \$200; furniture and equipment, \$500 and vehicles and motorized equipment, \$1,000; computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 prior to June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and System	30
Infrastructure	50
Furniture and Equipment	10
Vehicles and motorized equipment	6
Computer equipment	3
Computer software	5
Substations, lines, and related equipment	40
Other improvements	25

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This

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separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight- line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

a. Net Position

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

b. 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.

Inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.

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

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

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

Restricted for cultural and recreation – portion of fund balance restricted for beautification of the Town of Four Oaks area.

Committed Fund Balance - portion of fund balance that can be used for specific purposes imposed by the majority vote by quorum of the Town of Four Oaks' governing board. 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.

Assigned Fund Balance – portion of fund balance that the Town of Four Oaks intends to use for specific purposes.

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Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by the resource or appropriation within funds up to \$1,000.

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

The Town of Four Oaks 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 Four Oaks has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**12. 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 Four Oaks' employer contributions are recognized when due and the Town of Four Oaks 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.

**13. Subsequent Events**

The Town evaluated the effect subsequent events would have on the financial statements through July 28, 2021, which is the date the financial statements were available to be issued.

**II. Stewardship, Compliance, and Accountability**



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

1. Noncompliance with North Carolina General Statutes

The Town's investment is not in accordance with State law [G.S. 15-30]. The securities previously owned in the P.T. George Fund were Bank of America preferred stock. G.S. 159-33 establishes a nine-month time frame within the securities must be sold. The investment continues to be held by the Town as of June 30, 2020; therefore, it is a statutory violation.

The Town did not submit its audit report in a timely manner based on State law [G.S. 159-34(a)]. The auditor had staffing and health issues. For the fiscal year 2020-2021 audit, the Town has hired a new auditor to meet the general statute requirement.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,434,817 and a bank balance of \$1,492,923. Of the bank balance, \$746,842 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$600.

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2. Investments

P T George Fund has invested with Stifel. Bank America Bonds are 6%, maturity unknown. Purchased amount of \$26,206 with a current market value of \$25,888. Principal amount is restricted and earnings are disbursed to the local beautification committee as expenditures are presented for reimbursement.

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

This investment was created by a contribution from the M. T. Barefoot Beautification Endowment Fund in the amount of \$23,147 by James P. George on June 30, 2014 and is restricted for use for the beautification of the Town of Four Oaks.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Bank of America Corp.	\$ 25,888	Perpetual	N/A

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.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

3. Capital Assets

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

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	Beginning Balances, restated	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 154,163	\$ -	\$ -	\$ 154,163
Total Capital Assets Not Being Depreciated	<u>\$ 154,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,163</u>
Capital Assets Being Depreciated:				
Buildings	\$ 690,173	\$ 4,500	\$ -	\$ 694,673
Other improvements	45,220	-	-	45,220
Equipment	543,557	15,118	-	558,675
Vehicles and motorized equipment	267,972	78,737	-	346,709
Infrastructure	1,288,206	-	-	1,288,206
Total Capital Assets Being Depreciated	<u>\$2,835,128</u>	<u>\$ 98,355</u>	<u>\$ -</u>	<u>\$2,933,483</u>
Less accumulated depreciation for:				
Buildings	\$ 408,590	\$ 14,273	\$ -	\$ 422,863
Other improvements	45,220	-	-	45,220
Equipment	414,576	40,149	-	454,725
Vehicles and motorized equipment	230,559	30,169	-	260,728
Infrastructure	618,945	84,850	-	703,795
Total accumulated depreciation	<u>\$1,717,890</u>	<u>\$169,441</u>	<u>\$ -</u>	<u>\$1,887,331</u>
Total Capital Assets Being Depreciated, Net	<u>1,117,238</u>			<u>1,046,152</u>
Governmental Activity Capital Assets, Net	<u><u>\$1,271,401</u></u>			<u><u>\$1,200,315</u></u>

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

General government	\$ 14,398
Cultural and recreation	14,132
Public safety	33,029
Sanitation	7,511
Transportation	100,371
Total Depreciation Expense	<u><u>\$ 169,441</u></u>

**Town of Four Oaks, North Carolina**  
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	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type Activities:				
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 48,416	\$ -	\$ -	\$ 48,416
Construction in progress	-	85,318	-	85,318
Total Capital Assets Not Being Depreciated	\$ 48,416	\$ 85,318	\$ -	\$ 133,734
Capital Assets Being Depreciated:				
Buildings	\$ 189,661	\$ -	\$ -	\$ 189,661
Plant and distribution systems	4,618,169	-	-	4,618,169
Furniture and maintenance equipment	305,666	-	-	305,666
Water and sewer rights	162,000	-	-	162,000
Vehicles	39,139	-	-	39,139
Total Capital Assets Being Depreciated	\$5,314,635	\$ -	\$ -	\$5,314,635
Less accumulated depreciation for:				
Buildings	\$ 87,938	\$ 4,742	\$ -	\$ 92,680
Plant and distribution systems	2,318,852	75,014	-	2,393,866
Furniture and maintenance equipment	227,819	13,261	-	241,080
Water and sewer rights	129,600	16,200	-	145,800
Vehicles	32,868	2,212	-	35,080
Total Accumulated Depreciation	\$2,797,077	\$ 111,429	\$ -	\$2,908,506
Total Capital Assets Being Depreciated, Net	\$2,517,558			\$2,406,129
Water and Sewer Fund Capital Assets, Net	\$2,565,974			\$2,539,863
Business-type Activities Capital Assets, Net	\$2,565,974			\$2,539,863

**B. Liabilities**

**1. Pension Plan Obligations and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Four Oaks is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERs), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERs membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. 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. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend

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benefit provisions to the North Carolina General Assembly. 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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Four Oaks 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 Four Oaks' contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation 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

**Town of Four Oaks, North Carolina**  
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during the year. Contributions to the pension plan from the Town of Four Oaks were \$68,170 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$300,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.01101%, which was a decrease of 0.00058% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$129,423. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 51,483	\$ -
Changes of assumptions	49,005	-
Net difference between projected and actual earnings on pension plan investments	7,334	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	187	10,229
Town contributions subsequent to the measurement date	68,170	-
Total	<u>\$ 176,179</u>	<u>\$ 10,229</u>

\$68,170 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as

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deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2020	\$ 50,246
2021	13,247
2022	27,583
2023	6,704
2024	-
Thereafter	-
	<u>\$ 97,780</u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections.

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**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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:

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

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

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

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



**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 687,698	\$ 300,675	\$ (21,020)

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

b. Law Enforcement Officers Special Separation Allowance

***1. Plan Description.***

The Town of Four Oaks 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	6
Total	<u>6</u>

**Town of Four Oaks, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

***2. Summary of Significant Accounting Policies***

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

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

***3. Actuarial Assumptions***

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

***3. Contributions.***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$59,652. 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

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$9,609.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,746	\$ 13,276
Changes of assumptions	5,784	4,189
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 9,530</u>	<u>\$ 17,465</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 3,464
2021	3,464
2022	3,464
2023	3,201
2024	3,071
Thereafter	801
Total	<u>\$ 17,465</u>

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

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

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
\$ 67,769	\$ 59,652	\$ 52,362

**Law Enforcement Officers' Special Separation Allowance**

	<b>2020</b>
Beginning balance	\$ 65,475
Service Cost	4,700
Interest on the total pension liability	2,383
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,771)
Changes of assumptions or other inputs	2,865
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 59,652</u></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.

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

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

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

	LGERS	LEOSSA	Total
Pension Expense	\$ 129,423	\$ 5,754	\$ 135,177
Pension Liability	300,675	59,652	360,327
Proportionate share of the net pension liability	0.01101%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	51,483	3,746	55,229
Changes of assumptions	49,005	5,784	54,789
Net difference between projected and actual earnings on plan investments	7,334	-	7,334
Changes in proportion and differences between contributions and proportionate share of contributions	187	-	187
Benefit payments and administrative costs paid subsequent to the measurement date	68,170	-	68,170
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	13,276	13,276
Changes of assumptions	-	4,189	4,189
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,229	-	10,229

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Officer 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 of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$23,795, which consisted of \$9,656 from the Town and \$14,138 from the law enforcement officers.

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

d. 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Changes of assumptions	\$ 54,789
Differences between expected and actual experience	55,229
Net difference between projected and actual earnings on pension plan investments	7,334
Changes in proportion and differences between Town contributions and proportionate share of contributions	187
Towns contributions subsequent to the measurement date	68,170
	<hr/>
Total	<hr/> \$ 185,709 <hr/>

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

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 5,044
Differences between expected and actual experience	13,276	-
Changes of assumptions	4,189	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,229	-
Total	<u>\$ 27,694</u>	<u>\$ 5,044</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are 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 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 of Four Oaks does not carry flood insurance.

In accordance with G.S. 159-29, the town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town clerk is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

4. Long-term Obligations

a. Installment Purchase

On July 12, 2018 the Town of Four Oaks entered into an installment purchase agreement

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

for \$73,947 with First Citizens Bank to purchase a 2018 Hyundai Excavator. The financing agreement requires monthly payments of \$1,200 with an interest rate of 5.50%.

On March 6, 2017 the Town of Four Oaks entered into an installment purchase agreement for \$84,375 with Four Oaks Bank & Trust to repair the Water Tower. The financing agreement requires payments of \$18,043 with an interest rate of 2.240%.

On November 30, 2016 the Town of Four Oaks entered into an installment purchase agreement for \$34,600 with K S Bank, Inc. for the purchase of a vehicle. The financing agreement requires payments of \$9,254 with an interest rate of 2.750%.

On November 6, 2014 the Town of Four Oaks entered into an installment purchase agreement for \$27,555 with K S Bank, Inc. for the purchase of a vehicle. The financing agreement requires payments of \$5,806 with an interest rate of 2.050%.

In April 2013 the Town of Four Oaks entered into an installment purchase contract for \$221,000 with the USDA to finance a street resurfacing project. The financing contract requires principal payments that begin in fiscal year 2013 at an interest rate of 3.375%.

In April 2013 the Town of Four Oaks entered into an installment purchase contract for \$130,000 with the USDA to finance a street resurfacing project. The financing contract requires principal payments with an interest rate of 3.375%.

In October 2011 the Town of Four Oaks entered into an installment purchase contract for \$757,500 with USDA to finance a street paving for the business park. The financing contract requires principal payments with an interest rate of 3.75%.

In January 2013 the Town of Four Oaks entered into an installment purchase contract with Johnston County Finance to finance a 6-Inch Water Line Extension for Thunder Road. The financing contract requires payments with an interest rate of 5%.

In July 2011 the Town of Four Oaks entered into an installment purchase contract with Johnston County Finance to finance an allocation of the county's water supply. The financing contract requires payments with an interest rate of 5%.

Annual debt service payments of the installment purchases as of June 30, 2020, including \$291,017 of interest, are as follows:



**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2021	50,466	30,431	53,220	5,978
2022	42,955	28,688	34,475	3,743
2023	44,503	27,140	17,722	2,454
2024	46,107	25,536	18,658	1,518
2025	47,768	23,875	6,157	824
2026-2030	265,950	92,265	11,420	919
2031-2035	250,549	42,606	-	-
2036-2037	87,438	5,040	-	-
Total	\$ 835,736	\$ 275,581	\$ 141,652	\$ 15,436

b. Revenue Bond

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

Bonds payable in the amount of \$474,000 in the water and sewer fund due annually including interest at 4.375 percent.

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	11,000	20,781
2022	12,000	20,300
2023	12,000	19,775
2024	13,000	19,250
2025	13,000	18,681
2026-2030	74,000	84,306
2031-2035	87,000	67,069
2036-2040	103,000	46,638
2041-2045	123,000	22,356
2046	27,000	1,181
Total	\$ 475,000	\$ 320,337

At June 30, 2020, the Town of Four Oaks had no bonds authorized but unissued and a legal debt margin at \$14,712,774.

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Operating revenues	\$1,291,112
Operating expense*	<u>1,180,320</u>
Operating income	110,792
Non-operating revenues (expense)**	<u>60,062</u>
Income available for debt service	<u><u>\$ 170,854</u></u>

Debt service, principal and interest paid (Revenue bond only)	\$ 32,263
Debt service coverage ratio	530%

\*Per rate covenants, this does not include the depreciation and amortization expense of \$111,428.

\*\*Per rate covenants, this does not include the revenue bond interest paid of \$21,263.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay six hundred thousand in water and sewer system revenue bonds issued in October 2006. Proceeds from the bonds provide financing for sewer line extensions. The bonds are payable solely from water and sewer customer net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$475,000. Principal and interest paid for the current year and total customer net revenues were \$32,263 and \$1,291,112, respectively.

c. Changes in Long-term Liabilities

**Town of Four Oaks, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of
Governmental activities:					Balance
Installment purchase	\$ 916,063	\$ -	\$ 80,329	\$ 835,734	\$ 50,466
Compensated absences	22,229	4,625	-	26,854	26,854
Net pension liability (LGRS)	208,250	24,495	-	232,745	-
Total pension liability (LEO)	65,475	-	5,823	59,652	-
Governmental Activity Long-term					
Liabilities	\$ 1,212,017	\$ 29,120	\$ 86,152	\$ 1,154,985	\$ 77,320
Business-type activities:					
Revenue bonds	\$ 486,000	\$ -	\$ 11,000	\$ 475,000	\$ 11,000
Installment purchase	192,734	-	51,082	141,652	53,220
Compensated absences	10,092	-	3,139	6,953	6,953
Net pension liability (LGRS)	66,704	1,226	-	67,930	-
Business-type Activity Long-term					
Liabilities	\$ 755,530	\$ 1,226	\$ 65,221	\$ 691,535	\$ 71,173

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

**C. Interfund Balances and Activity**

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

Water and Sewer Fund owes the General Fund \$505 at June 30, 2020

The interfund balances resulted from the time lag between the date 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.

**D. Net Investments in Capital Assets**

	Governmental	Business-type
Capital Assets	\$ 1,200,315	\$ 2,539,863
Less: Long-term debt	835,734	616,653
Net investments in capital asset	\$ 364,581	\$ 1,923,210

**Town of Four Oaks, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**E. Fund Balance**

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

Total Fund Balance - General Fund	\$ 777,499
Less:	
Stabilization by State Statute	180,119
Debt Service	64,947
Remaining Fund Balance	\$ 532,433

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

### **Required Supplementary Financial Data**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

**Town of Four Oaks, North Carolina**  
**Town of Four Oaks' Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Seven Fiscal Years \***

**Local Government Employees' Retirement System**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Four Oaks' proportion of the net pension liability (asset) (%)	0.011010%	0.01159%	0.01092%	0.01158%	0.01050%	0.01132%	0.01132%
Four Oaks' proportion of the net pension liability (asset) (\$)	\$ 300,675	\$ 274,954	\$ 166,827	\$ 245,768	\$ 47,123	\$ (155,414)	\$ 127,771
Four Oaks' covered-employee payroll	\$ 734,730	\$ 662,215	\$ 625,207	\$ 583,950	\$ 584,585	\$ 585,219	\$ 531,172
Four Oaks' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.92%	41.52%	26.68%	42.09%	8.06%	( 26.56%)	24.05%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

**Town of Four Oaks, North Carolina**  
**Town of Four Oaks' Contributions**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 68,170	\$ 56,635	\$ 51,408	\$ 47,047	\$ 39,925	\$ 41,696	\$ 37,846
Contributions in relation to the contractually required contribution	68,170	56,635	51,408	47,047	39,925	41,696	37,846
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Four Oaks' covered-employee payroll	\$ 734,730	\$ 703,608	\$ 662,215	\$ 625,207	\$ 583,950	\$ 584,585	\$ 585,219
Contributions as a percentage of covered-employee payroll	9.28%	8.05%	7.76%	7.53%	6.84%	7.13%	6.47%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 65,475	\$ 58,248	\$ 42,606	\$ 37,725
Service Cost	4,700	7,055	5,374	5,447
Interest on the total pension liability	2,383	1,841	1,645	1,347
Differences between expected and actual experience in the measurement of the total pension liability	(15,771)	3,089	2,728	-
Changes of assumptions or other inputs	2,865	(4,758)	5,895	(1,913)
Ending balance of the total pension liability	<u>\$ 59,652</u>	<u>\$ 65,475</u>	<u>\$ 58,248</u>	<u>\$ 42,606</u>

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



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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 59,652	\$ 65,475	\$ 58,248	\$ 42,606
Covered payroll	232,791	246,647	235,022	243,831
Total pension liability as a percentage of covered payroll	25.62%	26.55%	24.78%	17.47%

Notes to the schedules:

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

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 976,255	\$ 976,255	\$ -
Interest	986	986	-
Total	<u>\$ 977,241</u>	<u>\$ 977,241</u>	<u>\$ -</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 377,793	\$ 376,324	\$ (1,469)
Telecommunications sales tax	9,969	8,847	(1,122)
Utility sales tax	98,854	99,630	776
Video franchise fee	6,374	6,383	9
Beer and wine tax	9,067	9,067	-
ABC profit distribution	15,776	15,776	-
Total	<u>\$ 517,833</u>	<u>\$ 516,027</u>	<u>\$ (1,806)</u>
Restricted Intergovernmental:			
Powell Bill allocation	\$ 62,046	\$ 62,046	\$ -
Solid waste disposal tax	1,595	1,595	-
School resource officer reimbursement	48,000	48,000	-
Downtown Revitalization grant	41,400	-	(41,400)
FEMA grant	-	-	-
Land Purchase grant	-	-	-
Total	<u>\$ 153,041</u>	<u>\$ 111,641</u>	<u>\$ (41,400)</u>
Permits and Fees:			
Building permits	\$ 169,112	\$ 169,112	\$ -
Business registration fee	2,280	2,280	-
Golf cart permit fees	420	420	-
Planning fees	2,473	2,473	-
Open space fee	-	-	-
Total	<u>\$ 174,285</u>	<u>\$ 174,285</u>	<u>\$ -</u>
Sales and Services:			
Garbage fees	\$ 304,239	\$ 309,874	\$ 5,635
Parks & Recreation registration and fees	13,888	13,888	-
Cemetery	5,057	5,057	-
Total	<u>\$ 323,184</u>	<u>\$ 328,819</u>	<u>\$ 5,635</u>
Investment earnings	<u>8,876</u>	<u>8,886</u>	<u>10</u>
Miscellaneous:			
Miscellaneous	\$ 23,766	\$ 23,765	\$ (1)
Total	<u>\$ 23,766</u>	<u>\$ 23,765</u>	<u>\$ (1)</u>
Total Revenues	<u>\$ 2,178,226</u>	<u>\$ 2,140,664</u>	<u>\$ (37,562)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>			
General Government:			
Salaries and employee benefits	\$ 136,734	\$ 136,733	\$ 1
Salaries - mayor and commissioners	4,263	4,263	-
BD taxes and development	26,934	26,934	-
Professional services	45,811	45,841	(30)
Advertising	9,975	9,875	100
Dues and subscriptions	6,060	6,060	-
Donations	353	353	-
Total	<u>\$ 230,130</u>	<u>\$ 230,059</u>	<u>\$ 71</u>
Administration:			
Telephone	\$ 1,882	\$ 1,870	\$ 12
Maintenance and repair equipment	3,218	3,218	-
Postage and meter rental	697	697	-
Training	1,572	1,572	-
Insurance	27,241	27,241	-
Supplies	4,986	4,955	31
Downtown development	17,500	17,500	-
Election	2,580	2,579	1
Grant expenses	28,750	23,442	5,308
Total	<u>\$ 88,426</u>	<u>\$ 83,074</u>	<u>\$ 5,352</u>
Taxes:			
Collection fees	\$ 18,119	\$ 18,119	\$ -
Total	<u>\$ 18,119</u>	<u>\$ 18,119</u>	<u>\$ -</u>
Public Buildings:			
Utilities	\$ 2,976	\$ 2,805	\$ 171
Maintenance and repairs	11,789	11,789	-
Total	<u>\$ 14,765</u>	<u>\$ 14,594</u>	<u>\$ 171</u>
Total General Government	<u>\$ 351,440</u>	<u>\$ 345,846</u>	<u>\$ 5,594</u>

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Public Safety:			
Police:			
Salaries and employee benefits	\$ 450,989	\$ 450,989	\$ -
Maintenance equipment	46,328	46,328	-
Vehicle gas	17,415	15,608	1,807
Vehicle maintenance	6,170	6,170	-
Training expense	2,864	2,864	-
Utilities	2,439	2,268	171
Telephone	6,939	6,813	126
Supplies	15,662	15,523	139
Uniforms	5,030	4,979	51
Dues and subscriptions	578	578	-
Capital outlay	20,065	20,065	-
Total	<u>\$ 574,479</u>	<u>\$ 572,185</u>	<u>\$ 2,294</u>
Fire:			
Salaries and benefits	\$ 81,864	\$ 81,864	\$ -
Insurance	1,901	1,901	-
Other operating expenditures	88,045	88,045	-
Total	<u>\$ 171,810</u>	<u>\$ 171,810</u>	<u>\$ -</u>
Inspections:			
Salaries and benefits	\$ 109,125	\$ 109,125	\$ -
Other operating expenses	170,708	-	170,708
Total	<u>\$ 279,833</u>	<u>\$ 109,125</u>	<u>\$ 170,708</u>
Total Public Safety	<u>\$ 1,026,122</u>	<u>\$ 853,120</u>	<u>\$ 173,002</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ 76,933	\$ 76,933	\$ -
Maintenance streets	123,761	122,396	1,365
Telephone	1,104	1,092	12
Vehicle expense	33,119	31,776	1,343
Street lights	70,731	70,583	148
Supplies	9,773	9,444	329
Uniforms	2,635	2,635	-
Christmas lights	92	61	31
Total	<u>\$ 318,148</u>	<u>\$ 314,920</u>	<u>\$ 3,228</u>

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits	\$ 46,072	\$ 46,072	\$ -
Telephone	1,397	1,385	12
Utilities	236	236	-
Maintenance and repairs	1,616	1,616	-
Landfill fees	166,302	165,445	857
Vehicle expense	69,600	69,211	389
Supplies	3,872	3,866	6
Uniform maintenance	374	374	-
Total	<u>\$ 289,469</u>	<u>\$ 288,205</u>	<u>\$ 1,264</u>
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits	\$ 54,782	\$ 54,782	\$ -
Maintenance - equipment	42,258	42,258	-
Vehicles	2,759	2,699	60
Department Supplies	25,969	25,749	220
Uniforms	40	40	-
Referee cost	1,215	1,215	-
Farmer's Market	404	352	52
Utilities	1,515	1,483	32
Telephone	936	924	12
Training	125	125	-
Total	<u>\$ 130,003</u>	<u>\$ 129,627</u>	<u>\$ 376</u>
Debt Service			
Principal retirement	\$ 40,210	\$ 40,210	\$ -
Interest and other charges	48,104	48,104	-
Total	<u>\$ 88,314</u>	<u>\$ 88,314</u>	<u>\$ -</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 2,203,496</u>	<u>\$ 2,020,032</u>	<u>\$ 183,464</u>
Revenues Over (Under) Expenditures	<u>\$ (25,270)</u>	<u>\$ 120,632</u>	<u>\$ 145,902</u>
Other financing sources:			
Proceeds from sale of assets	\$ 270	\$ 270	\$ -
Total other financing sources	<u>270</u>	<u>270</u>	<u>-</u>
Fund balance appropriated	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 120,902</u>	<u>\$ 120,902</u>
Fund Balances, beginning		656,597	
Fund Balances, ending		<u>\$ 777,499</u>	

**Town of Four Oaks, North Carolina**  
**Balance Sheet**  
**Nonmajor Governmental Fund**  
**For the Fiscal Year Ended June 30, 2020**

	<b>PT George Endowment Fund</b>	<b>Total Nonmajor Funds</b>
<b>ASSETS</b>		
Restricted cash	\$ 2,092	\$ 2,092
Investments	25,888	25,888
Total Assets	<u>\$ 27,980</u>	<u>\$ 27,980</u>
<b>FUND BALANCES</b>		
Restricted:		
Cultural and recreation - Beautification	27,980	27,980
Total Fund Balances	<u>27,980</u>	<u>27,980</u>
Total Liabilities and Fund Balances	<u>\$ 27,980</u>	<u>\$ 27,980</u>

**Town Four Oaks, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Fund**  
**For the Year Ended June 30, 2020**

	<b>Budget</b>	<b>PT George Endowment Fund</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Investment earnings	\$ 1,778	\$ 705	\$ (1,073)
Total Revenues	<u>1,778</u>	<u>705</u>	<u>(1,073)</u>
<b>EXPENDITURES</b>			
Beautification	<u>1,778</u>	<u>1,777</u>	<u>1</u>
Total Expenditures	<u>1,778</u>	<u>1,777</u>	<u>1</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,072)</u>	<u>(1,074)</u>
Fund Balances, beginning		<u>29,052</u>	
Fund Balances, ending		<u><u>\$ 27,980</u></u>	

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Water Sales:			
Water sales	\$ 516,251	\$ 520,830	\$ 4,579
Total	\$ 516,251	\$ 520,830	\$ 4,579
Sewer Charges:			
Sewer sales	\$ 632,605	\$ 649,986	\$ 17,381
Total	\$ 632,605	\$ 649,986	\$ 17,381
Water and sewer taps	\$ 50,675	\$ 50,675	\$ -
Other operating revenues	\$ 69,619	\$ 69,621	\$ 2
Total Operating Revenues	\$ 1,269,150	\$ 1,291,112	\$ 21,962
Nonoperating Revenues:			
Interest earnings	\$ 22,653	\$ 22,653	\$ -
Restricted intergovernmental	37,409	37,409	-
Total Nonoperating Revenues	\$ 60,062	\$ 60,062	\$ -
Total Revenues	\$ 1,329,212	\$ 1,351,174	\$ 21,962
<b>EXPENDITURES</b>			
Water and Sewer Administration:			
Salaries and employee benefits	\$ 83,081	\$ 83,081	\$ -
Maintenance and repair	6,243	6,171	72
Bank fees	11,774	11,576	198
Telephone	1,042	1,030	12
Utilities	536	495	41
Professional services	60,793	60,793	-
Training	172	172	-
Postage	5,564	5,564	-
Capital outlay	74,818	74,818	-
Total	\$ 244,023	\$ 243,700	\$ 323
Water Distribution:			
Water Distribution:			
Dues and subscriptions	\$ 7,048	\$ 7,048	\$ -
County water purchases	544,182	310,673	233,509
Maintenance - water lines	66,342	66,282	60
Maintenance - meters	44,823	44,795	28
Maintenance	3,694	3,707	(13)
Vehicle expense	1,980	1,962	18
Telephone	799	787	12
Testing	3,408	3,408	-
Supplies	4,070	3,959	111
Uniforms	325	325	-
Utilities	3,650	3,356	294
Insurance	16,059	16,059	-
Total	\$ 696,380	\$ 462,361	\$ 234,019
Total Water Treatment and Distribution	\$ 696,380	\$ 462,361	\$ 234,019



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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Waste Collection and Treatment:			
Sewage Collection System:			
Salaries and employee benefits	\$ 126,200	\$ 126,200	\$ -
Vehicle	8,969	7,360	1,609
Department supplies	4,217	4,063	154
Professional services	63,768	65,195	(1,427)
Training	250	250	-
Telephone	1,433	1,421	12
Supplies	4,217	4,057	160
Maintenance	64,831	64,731	100
Maintenance and repair system	1,926	1,926	-
Equipment	10,500	10,500	-
Uniforms	2,119	2,119	-
Transmission	260,978	242,816	18,162
Utilities	16,591	15,379	1,212
Total	<u>\$ 565,999</u>	<u>\$ 546,017</u>	<u>\$ 19,982</u>
Total Waste Collection and Treatment	<u>\$ 565,999</u>	<u>\$ 546,017</u>	<u>\$ 19,982</u>
Debt Service			
Interest and other charges	\$ 29,379	\$ 29,379	\$ -
Principal retirement	62,081	62,081	-
Total	<u>\$ 91,460</u>	<u>\$ 91,460</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 1,597,862</u>	<u>\$ 1,343,538</u>	<u>\$ 254,324</u>
Fund balance appropriated	<u>268,650</u>	<u>-</u>	<u>(268,650)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 7,636</u>	<u>\$ 7,636</u>

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

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Reconciliation from Budgetary Basis (modified accrual) to Full Accrual:

Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 7,636
Reconciling Items:	
Principal retirement	\$ 62,081
Capital outlay	85,318
Decrease in accrued vacation pay	3,138
Decrease in bond interest accrued	928
Decrease in deferred outflows of resources - pensions	(15,227)
Increase in net pension liability	(1,227)
Increase in deferred inflows of resources - pensions	(243)
Depreciation	(95,229)
Amortization	(16,200)
Total Reconciling Items	<u>\$ 23,339</u>
Change in Net Position	<u><u>\$ 30,975</u></u>

## Other Schedules

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This section contains additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund's Schedule of Net Position by Function
- Water and Sewer Fund's Schedule of Revenues, Expenses, and Changes in Fund Net Position by Function
- Water and Sewer Fund's Schedule of Cash Flows by Function

**Town of Four Oaks, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 984,923	\$ 979,853	\$ 5,070
2018-2019	699	-	188	511
2017-2018	238	1	-	239
2016-2017	293	-	-	293
2015-2016	346	-	-	346
2014-2015	261	-	-	261
2013-2014	348	-	9	339
2012-2013	543	-	30	513
2011-2012	434	-	-	434
2010-2011	359	-	-	359
2009-2010	294	-	294	-
	<u>3,815</u>	<u>984,924</u>	<u>980,374</u>	<u>8,365</u>
Less: Allowance for uncollectible accounts:				
General Fund				<u>3,265</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 5,100</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 977,241
Reconciling Items:				
Releases				4,288
Interest collected				(986)
Adjustments				(169)
Subtotal				<u>\$ 3,133</u>
Total Collections and Credits				<u>\$ 980,374</u>

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 193,639,800	0.50	\$ 968,199	\$ 894,559	\$ 73,640
Total	<u>\$ 193,639,800</u>		<u>\$ 968,199</u>	<u>\$ 894,559</u>	<u>\$ 73,640</u>
Discoveries	3,344,800	0.50	16,724	16,724	-
Abatements	857,600	0.50	4,288	4,288	-
Total Property Valuation	<u>\$ 196,127,000</u>				
Net Levy			\$ 980,635	\$ 906,995	\$ 73,640
Uncollected Taxes at June 30, 2020			<u>\$ 5,014</u>	<u>\$ 5,014</u>	<u>\$ -</u>
Current Year's Taxes Collected			<u>\$ 975,621</u>	<u>\$ 901,981</u>	<u>\$ 73,640</u>
Current Levy Collection Percentage			<u>99.49%</u>	<u>99.45%</u>	<u>100.00%</u>

**Town of Four Oaks, North Carolina**  
**Schedule of Net Position**  
**Water and Sewer Fund by Function**  
**June 30, 2020**

	Water	Sewer	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 371,413	\$ 383,457	\$ 754,870
Accounts receivable (net) - billed	48,669	65,986	114,655
Interest receivable	59	46	105
Refunds receivable	7,890	6,456	14,346
Inventories	16,651	33,256	49,907
Prepaid items	207,859	-	207,859
Restricted cash and cash equivalents	56,815	-	56,815
Total Current Assets	<u>\$ 709,356</u>	<u>\$ 489,201</u>	<u>\$ 1,198,557</u>
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	\$ 46,709	\$ 87,025	\$ 133,734
Other capital assets, net of depreciation	476,386	1,929,743	2,406,129
Total Capital Assets	<u>\$ 523,095</u>	<u>\$ 2,016,768</u>	<u>\$ 2,539,863</u>
Total Noncurrent Assets	<u>\$ 523,095</u>	<u>\$ 2,016,768</u>	<u>\$ 2,539,863</u>
Total Assets	<u>\$ 1,232,451</u>	<u>\$ 2,505,969</u>	<u>\$ 3,738,420</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contribution to pension plan	\$ 15,401	\$ -	\$ 15,401
Pension deferrals	24,402	-	24,402
Total Deferred Outflows of Resources	<u>\$ 39,803</u>	<u>\$ -</u>	<u>\$ 39,803</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 26,949	\$ 23,086	\$ 50,035
Due to other funds	505	-	505
Customer deposits	56,815	-	56,815
Compensated absences - current	1,879	5,074	6,953
Installment purchase payable - current	47,267	5,953	53,220
Revenue bond payable- current	-	11,000	11,000
Total Current Liabilities	<u>\$ 133,415</u>	<u>\$ 45,113</u>	<u>\$ 178,528</u>
Noncurrent Liabilities:			
Net pension liability	67,930	-	67,930
Other Noncurrent Liabilities:			
Installment purchase contract - noncurrent (net)	67,985	20,447	88,432
Revenue bond payable - noncurrent	-	464,000	464,000
Total Noncurrent Liabilities	<u>\$ 135,915</u>	<u>\$ 484,447</u>	<u>\$ 620,362</u>
Total Liabilities	<u>\$ 269,330</u>	<u>\$ 529,560</u>	<u>\$ 798,890</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 2,311	\$ -	\$ 2,311
Unearned revenue	2,326	-	2,326
Total Deferred Inflows of Resources	<u>\$ 4,637</u>	<u>\$ -</u>	<u>\$ 4,637</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 407,843	\$ 1,515,368	\$ 1,923,211
Unrestricted	590,444	461,041	1,051,485
Total Net Position	<u>\$ 998,287</u>	<u>\$ 1,976,409</u>	<u>\$ 2,974,696</u>

**Town of Four Oaks, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Water and Sewer Fund by Function**  
**For the Year Ended June 30, 2020**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 520,830	\$ 649,986	\$ 1,170,816
Water and sewer taps	23,375	27,300	50,675
Other operating revenues	66,052	3,569	69,621
Total Operating Revenues	<u>\$ 610,257</u>	<u>\$ 680,855</u>	<u>\$ 1,291,112</u>
<b>OPERATING EXPENSES</b>			
Administration	\$ 94,823	\$ 77,582	\$ 172,405
Water treatment and distribution	462,362	-	462,362
Waste collection and treatment	-	545,553	545,553
Depreciation	23,293	71,935	95,228
Amortization	16,200	-	16,200
Total Operating Expenses	<u>\$ 596,678</u>	<u>\$ 695,070</u>	<u>\$ 1,291,748</u>
Operating Income (Loss)	<u>\$ 13,579</u>	<u>\$ (14,215)</u>	<u>\$ (636)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 22,653	\$ -	\$ 22,653
Capital contribution	18,705	18,704	37,409
Interest and other charges	(5,540)	(22,911)	(28,451)
Total Nonoperating Revenue (Expenses)	<u>\$ 35,818</u>	<u>\$ (4,207)</u>	<u>\$ 31,611</u>
Income (loss) before contributions and transfers	49,397	(18,422)	30,975
Transfers to (from) other funds	19,785	(19,785)	-
Change in Net Position	69,182	(38,207)	30,975
Total Net Position, beginning	929,105	2,014,616	2,943,721
Total Net Position, ending	<u><u>\$ 998,287</u></u>	<u><u>\$ 1,976,409</u></u>	<u><u>\$ 2,974,696</u></u>

**Town of Four Oaks, North Carolina**  
**Statement of Cash Flows**  
**Water and Sewer Fund by Function**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 541,452	\$ 659,906	\$ 1,201,358
Cash paid for goods and services	(683,154)	(483,092)	(1,166,246)
Cash paid for or on behalf of employees for services	(66,225)	(143,056)	(209,281)
Customer deposits, net	2,825	-	2,825
Other operating revenues	66,052	3,569	69,621
Net Cash Provided (Used) by Operating Activities	\$ (139,050)	\$ 37,327	\$ (101,723)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	\$ 19,785	\$ -	\$ 19,785
Transfers to other funds	-	(19,785)	(19,785)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 19,785	\$ (19,785)	\$ -
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	\$ (42,659)	\$ (42,659)	\$ (85,318)
Capital contribution	18,705	18,704	37,409
Principal paid on bond maturities and equipment contracts	(49,788)	(11,366)	(61,154)
Interest paid on bond maturities and equipment contracts	(4,512)	(24,867)	(29,379)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (78,254)	\$ (60,188)	\$ (138,442)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	22,653	-	22,653
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (174,866)	\$ (42,646)	\$ (217,512)
Balances, beginning	603,094	426,103	1,029,197
Balances, ending	\$ 428,228	\$ 383,457	\$ 811,685



**Town of Four Oaks, North Carolina**  
**Statement of Cash Flows**  
**Water and Sewer Fund by Function**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 13,579	\$ (14,215)	\$ (636)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	23,293	71,935	95,228
Amortization	16,200	-	16,200
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(9,436)	(19,741)	(29,177)
(Increase) decrease in prepaid items	(207,859)	-	(207,859)
(Increase) decrease in deferred outflows of resources - pensions	15,228	-	15,228
Increase (decrease) in net pension liability	1,226	-	1,226
Increase (decrease) in deferred inflows of resources - pensions	2,569	(2,326)	243
Increase (decrease) in accounts payable and accrued liabilities	3,475	2,335	5,810
Increase (decrease) in customer deposits	2,825	-	2,825
Increase (decrease) in unearned revenue	2,327	-	2,327
Increase (decrease) in accrued vacation pay	(2,477)	(661)	(3,138)
Total Adjustments	\$ (152,629)	\$ 51,542	\$ (101,087)
Net Cash Provided by Operating Activities	\$ (139,050)	\$ 37,327	\$ (101,723)

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