



Town of Haw River

Haw River, North Carolina

Audited Financial Statements

Year Ended June 30, 2020

Town of Haw River
Haw River, North Carolina
June 30, 2020

Town Council

Kelly Allen, Mayor

H. Lee Lovette, Mayor Pro-Tem

Steve Lineberry

Patty Wilson

Administrative and Financial Staff

Sean Tencer, Town Manager

Lesley Gonzalez, Finance Director /Town Clerk

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June 30, 2020**

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • AICPA PRIVATE COMPANIES PRACTICE SECTION • NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

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

Other Matters

Required supplementary information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Haw River, North Carolina. The individual fund financial statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021, on our consideration of the Town of Haw River's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion in internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haw River's internal control over financial reporting and compliance.



Certified Public Accountants
Graham, North Carolina
March 11, 2021

BASIC FINANCIAL STATEMENTS

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020

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

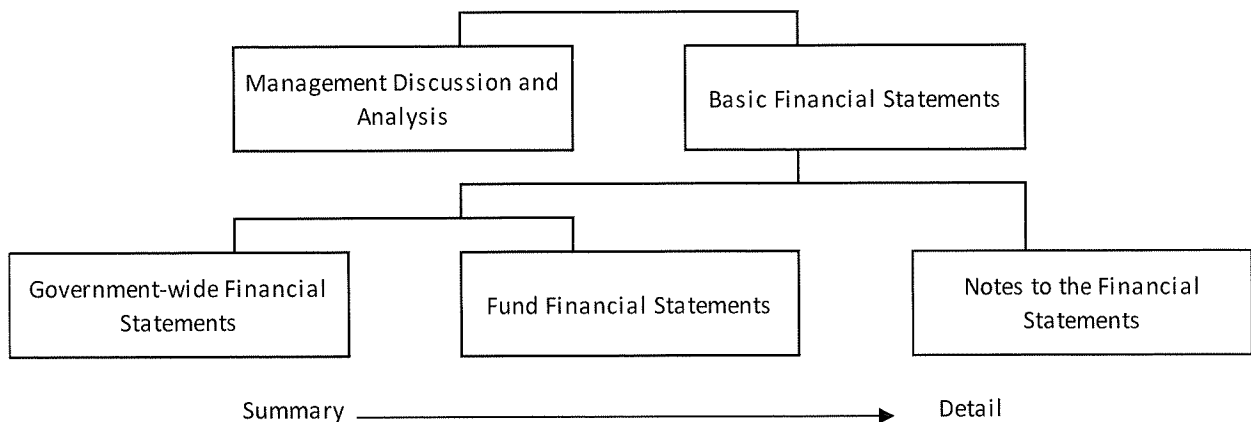
Financial Highlights

- The assets and deferred outflows of resources of the Town of Haw River *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,945,695 (*net position*).
- The government's total net position decreased by \$219,487 due to a *decrease* in the government type net position of \$56,588 and a *decrease* in the business-type activities net position of \$162,899.
- As of the close of the current fiscal year, the Town of Haw River's governmental funds reported combined ending fund balances of \$1,449,743 with a net decrease of \$1,724,605 in fund balance. Approximately 60.70% of this total amount, or \$880,069, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$413,674, or 21.01% of total general fund expenditures for the fiscal year.
- The Town of Haw River's total debt increased \$4,790,541 due to the forgivable loan from the North Carolina Department of Commerce offset by principal payments of \$84,459 during the fiscal year.

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

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

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020

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

The two government-wide statements report the Town of Haw River'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 of Haw River's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town of Haw River's basic services such as public safety and general administration. Utility franchise and excise taxes and sales taxes finance most of these activities. The business-type activities are those that the Town charge customers to provide.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town of Haw River'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 Haw River, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Haw River can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds – The Town of Haw River has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide-financial statements. The Town of Haw River uses two enterprise funds to account for the operations and activity of its water and

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020

sewer fund and stormwater fund. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

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

Interdependence with Other Entities - The Town of Haw River depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations

Government-Wide Financial Analysis

The Town of Haw River's Net Position
 Figure 2

	Governmental Activities			Business-Type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Current and other assets	\$ 1,524,775	\$ 3,262,075	\$ 6,482,534	\$ 1,141,578	\$ 1,156,953	\$ 1,546,206	\$ 2,666,353	\$ 4,419,028	\$ 8,028,740
Capital assets	1,855,726	2,052,824	1,926,918	4,381,996	4,535,669	4,552,590	6,237,722	6,588,493	6,479,508
Notes receivable	4,875,000	3,003,530	-	-	-	-	4,875,000	3,003,530	-
Deferred outflow s of resources	423,438	430,802	278,361	61,282	60,703	25,136	484,720	491,505	303,497
Total assets and deferred outflow s of resources	8,678,939	8,749,231	8,687,813	5,584,856	5,753,325	6,123,932	14,263,795	14,502,556	14,811,745
Long-term liabilities outstanding	6,635,268	1,778,648	1,565,184	1,354,028	1,347,751	1,331,199	7,989,296	3,126,399	2,896,383
Other liabilities	150,242	157,841	149,289	119,442	126,355	102,255	269,684	284,196	251,544
Deferred inflow s of resources	57,626	45,351	51,900	1,494	6,428	9,327	59,120	51,779	61,227
Total liabilities and deferred inflow s of resources	6,843,136	1,981,840	1,766,373	1,474,964	1,480,534	1,442,781	8,318,100	3,462,374	3,209,154
Net position:									
Net investment in capital assets	1,683,206	1,832,107	1,711,377	3,305,520	3,422,931	3,404,588	4,988,726	5,255,038	5,115,965
Restricted	1,036,069	2,863,820	5,843,382	33,295	33,295	33,295	1,069,364	2,897,115	5,876,677
Unrestricted	(883,472)	2,071,464	(633,319)	771,077	816,565	1,243,268	(112,395)	2,888,029	609,949
Total net position	\$ 1,835,803	\$ 6,767,391	\$ 6,921,440	\$ 4,109,892	\$ 4,272,791	\$ 4,681,151	\$ 5,945,695	\$ 11,040,182	\$ 11,602,591

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Haw River exceeded liabilities and deferred inflows of resources by \$5,945,695 as of June 30, 2020. The Town's net position decreased by \$219,487 for the fiscal year ended June 30, 2020. However, a large portion (83.9 %) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Haw River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Haw River's net investment in capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Haw River's net position, \$1,069,364, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$112,395) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a positive tax collection percentage of 98.29%. The statewide average in fiscal year 2019 was 98.67%.
- Increased sales tax and utility revenues of approximately \$14,435 due to economic growth in the Town, despite the impact of the COVID 19 pandemic.
- The special revenue grant fund has now been spent and converted to a forgivable loan.

Town of Haw River, North Carolina Management Discussion and Analysis June 30, 2020

Town of Haw River's Changes in Net Position
Figure 3

	Governmental Activities			Business-type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Revenues:									
Program revenues:									
Charges for services	\$ 140,309	\$ 124,794	\$ 115,076	\$ 2,028,565	\$ 1,714,990	\$ 1,586,333	\$ 2,168,874	\$ 1,839,784	\$ 1,701,409
Operating grants and contributions	80,283	78,637	92,841	-	-	-	80,283	78,637	92,841
Capital grants and contributions	55,553	53,686	5,069,121	-	-	-	55,553	53,686	5,069,121
General revenues:									
Property taxes	724,200	704,713	704,498	-	-	-	724,200	704,713	704,498
Other taxes	281,177	279,562	273,161	-	-	-	281,177	279,562	273,161
Grants and contributions not restricted to specific programs	802,614	792,086	759,468	-	-	-	802,614	792,086	759,468
Other	18,999	76,150	14,436	-	-	-	18,999	76,150	14,436
Investment earnings	18,249	35,949	17,175	5,502	11,464	6,519	23,751	47,413	23,694
Total revenues	2,121,384	2,145,577	7,045,776	2,034,067	1,726,454	1,592,852	4,155,451	3,872,031	8,638,628
Expenses:									
General government	486,913	383,038	503,239	-	-	-	486,913	383,038	503,239
Public safety	1,312,898	1,346,980	1,155,240	-	-	-	1,312,898	1,346,980	1,155,240
Transportation	133,441	160,053	181,684	-	-	-	133,441	160,053	181,684
Environmental protection	118,128	115,829	122,993	-	-	-	118,128	115,829	122,993
Economic and physical development	661	7,266	-	-	-	-	661	7,266	-
Culture and recreation	120,757	279,579	191,873	-	-	-	120,757	279,579	191,873
Interest on long-term debt	5,174	6,881	6,144	-	-	-	5,174	6,881	6,144
Water and sewer	-	-	-	2,186,820	2,118,774	1,615,987	2,186,820	2,118,774	1,615,987
Stormwater	-	-	-	10,146	16,040	12,496	10,146	16,040	12,496
Total expenses	2,177,972	2,299,626	2,161,173	2,196,966	2,134,814	1,628,483	4,374,938	4,434,440	3,789,656
Increase (decrease) in net position	(56,588)	(154,049)	4,884,603	(162,899)	(408,360)	(35,631)	(219,487)	(562,409)	4,848,972
Net position, July 1	6,767,391	6,921,440	2,677,742	4,272,791	4,681,151	4,837,544	11,040,182	11,602,591	7,515,286
Net position, restated	(4,875,000)	-	2,036,837	-	-	-	(4,875,000)	-	6,753,619
Net position, June 30	\$ 1,835,803	\$ 6,767,391	\$ 6,921,440	\$ 4,109,892	\$ 4,272,791	\$ 4,681,151	\$ 5,945,695	\$ 11,040,182	\$ 11,602,591

Note: 2020 and 2018 Net Position has been restated to reflect prior period adjustments.

Governmental activities. Governmental activities decreased the Town's net position by \$56,588, thereby accounting for 25.81% of the total decrease in the net position of the Town of Haw River. Key elements of this change in net position are as follows:

- Charges for services increased by \$15,515 over the prior year.
- Property taxes increased \$19,487 over the prior year.
- Expenditures overall decreased by \$121,654.

Business-type activities. Business-type activities decreased the Town of Haw River's net position by \$162,899 accounting for 74.67% of the total decrease in the government's net position. Key elements of this change in net position as compared to the prior year are as follows:

- Charges for services increased \$313,575 due to an increase in demand for these services and an increase in the water and sewer rate.
- Expenses for the water and sewer fund increased \$68,046 following the trend of increased cost to provide these services to the citizens of the Town.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Haw River. At the end of the current fiscal year, the Town of Haw River's fund balance available in the General Fund was \$413,674, while total fund balance reached \$1,323,138. The Town currently has an available fund balance of 21.01 percent of total General Fund expenditures, while total fund balance represents 67.21 percent of that same amount.

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020

At June 30, 2020, the governmental funds of the Town of Haw River reported a combined fund balance of \$1,449,743 with a net decrease in fund balance of \$1,724,605. Included in this change in fund balance is a decrease in fund balance in the Special Revenue 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.

Revenues were less than the budgeted amounts primarily because tax revenue and grant revenues that the Town originally had expected to receive were significantly less. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$632,913 and for the Stormwater Fund amounted to \$138,164. The total change in net position for the Water and Sewer and the Stormwater Fund was (\$178,773) and \$15,874, respectively. The change in net position of the Water and Sewer Fund has improved from the prior year due to increased revenue being higher than the increase in the expenses. The change in net position of the Stormwater Fund is a result of operating revenues exceeding related expenses for the current operation of this program.

Capital Asset and Debt Administration

Capital assets. The Town of Haw River's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$6,237,722 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the year include the following:

- Police radio's and computers - \$32,935.
- Submersible pump - \$42,103.

Town of Haw River's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities			Business-type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Land	\$ 167,968	\$ 167,968	\$ 167,968	\$ 1,040	\$ 1,040	\$ 1,040	\$ 169,008	\$ 169,008	\$ 169,008
Construction in progress	-	-	-	103,232	97,580	33,486	103,232	97,580	33,486
Buildings and improvements	225,488	248,009	256,329	-	-	-	225,488	248,009	256,329
Equipment, furniture and fixtures	327,102	385,787	293,654	9,691	12,730	5,667	336,793	398,517	299,321
Infrastructure	747,173	788,839	743,147	-	-	-	747,173	788,839	743,147
Vehicles and motorized equipment	387,995	462,221	465,820	22,797	32,567	42,336	410,792	494,788	508,156
Plant and distribution systems	-	-	-	4,245,236	4,391,752	4,470,061	4,245,236	4,391,752	4,470,061
Total	\$ 1,855,726	\$ 2,052,824	\$ 1,926,918	\$ 4,381,996	\$ 4,535,669	\$ 4,552,590	\$ 6,237,722	\$ 6,588,493	\$ 6,479,508

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

Long-term Debt. As of June 30, 2020, the Town of Haw River had total debt outstanding of \$8,141,456. The total of \$698,000 of the Town's debt represents bonds secured by specified revenue sources (e.g. revenue bonds), \$4,875,000 represents the forgivable loan from the North Carolina Department of Commerce.

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020

Town of Haw River's Outstanding Debt
Figure 5

	Governmental Activities			Business-type Activities			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Direct placement installment purchase	\$ 172,520	\$ 220,717	\$ 295,503	\$ 378,476	\$ 400,738	\$ 445,265	\$ 550,996	\$ 621,455	\$ 740,768
Revenue bonds	-	-	-	698,000	712,000	738,000	698,000	712,000	738,000
Forgivable loan - Granite Mills	4,875,000	-	-	-	-	-	4,875,000	-	-
Total OPEB liability	1,058,038	1,003,798	654,205	232,985	204,294	178,675	1,291,023	1,208,092	832,880
Net pension liability (LGERS)	330,387	295,499	221,742	72,970	54,896	55,435	403,357	350,395	277,177
Net pension liability (LEO)	246,396	295,962	298,424	-	-	-	246,396	295,962	298,424
Compensated absences	56,526	55,414	80,737	20,158	23,644	20,570	76,684	79,058	101,307
Total	\$ 6,738,867	\$ 1,871,390	\$ 1,550,611	\$ 1,402,589	\$ 1,395,572	\$ 1,437,945	\$ 8,141,456	\$ 3,266,962	\$ 2,988,556

The Town of Haw River's total debt increased by \$4,874,494 (149.21%) during the past fiscal year due to the conversion of the special revenue grant to a forgivable loan, an increase in OPEB of \$82,931 netted with scheduled principal payments of \$84,459 on bonds, notes, and other long-term payables.

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 Haw River is \$12,547,749.

Additional information regarding the Town of Haw River's long-term debt can be found in note II.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the activity of the Town of Haw River:

- Despite the effects of the Covid pandemic on the economy, sales tax revenues and other state-shared revenues remained relatively stable during fiscal year 2019-2020. We expect to see some recoveries in fiscal years 2020-2021 and 2021-2022.
- The Town continues to receive increases in the cost of water and sewer service provided by the City of Burlington. In the 2019-2020 fiscal year, that increase was 2% per service. These increases must be passed along to the Town's water and sewer customers plus any inflationary increases needed by the Town.
- The Feds have kept the interest rates at an all-time low; therefore, there has been no relief in interest income. The Town has faced continuing increases in electricity, gas, insurance, and other operational costs without corresponding increases in revenue. For the first time in many years, a tax rate increase is proposed in the 2020-2021 annual budget.
- The Town's workforce has gotten much younger due to the retirement of several senior employees, resulting in lower salary costs. However, this has had a negative impact on the OPEB cost associated with retirees and their benefits.
- The Granite Mill renovation project is 95% complete and scheduled for completion in March 2021. There are 175 apartments, with 83 occupied. The same developer has purchased the Tabadrey Mill and will hopefully begin construction in 2022.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: There are several challenges faced by management when preparing for the fiscal year ending June 30, 2021. We anticipate continued increases in health insurance, workers' compensation insurance, property and liability insurance, and operational costs. We definitely project a significant increase in ad-valorem tax, and hope for economic recovery after Covid in Sales & Use Tax to help offset some of the increases.

**Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020**

Business-type Activities: We anticipate water and sewer rates in the Town to increase slightly due to an increase of rates by the City of Burlington. The future budget allows for maintenance and repair costs. Two pump stations will be repaired and an \$11,000 Sewer Study will be completed. In the coming years, we will continue the Lang Street Pump Station replacement project

Request for Information

This report is designed to provide an overview of the Town of Haw River's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to the Town Manager, Town of Haw River, 403 East Main Street, Haw River, NC 27258.

**Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2020**

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Town of Haw River
Statement of Net Position
June 30, 2020

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 457,463	\$ 778,222	\$ 1,235,685
Taxes receivable (net)	28,839	-	28,839
Accrued interest receivable on taxes	2,404	-	2,404
Accounts receivable (net)	18,971	289,832	308,803
Due from other governments	204,214	-	204,214
Internal balances	22,263	(22,263)	-
Restricted cash and cash equivalents	790,621	95,787	886,408
Total current assets	1,524,775	1,141,578	2,666,353
Non-current Assets:			
Note receivable - Granite Mills	4,875,000	-	4,875,000
Capital assets:			
Land, non-depreciable improvements, and construction in progress	167,968	104,271	272,239
Other capital assets, net of depreciation	1,687,758	4,277,725	5,965,483
Total capital assets	1,855,726	4,381,996	6,237,722
Total assets	8,255,501	5,523,574	13,779,075
DEFERRED OUTFLOWS OF RESOURCES	423,438	61,282	484,720
LIABILITIES			
Current liabilities:			
Accounts payable	43,789	6,843	50,632
Accrued interest payable	2,854	1,546	4,400
Customer deposits	-	62,492	62,492
Compensated absences - current	54,267	12,298	66,565
Revenue bonds - current	-	14,000	14,000
Installment obligations - current	49,332	22,263	71,595
Total current liabilities	150,242	119,442	269,684
Long-term liabilities:			
Compensated absences - noncurrent	2,259	7,860	10,119
Revenue bonds - noncurrent	-	684,000	684,000
Installment obligations - noncurrent	123,188	356,213	479,401
Forgivable Loan - Granite Mills	4,875,000	-	4,875,000
Net pension liability - LGERS	330,387	72,970	403,357
Total pension liability - LEOSA	246,396	-	246,396
Total OPEB liability	1,058,038	232,985	1,291,023
Total long-term liabilities	6,635,268	1,354,028	7,989,296
Total liabilities	6,785,510	1,473,470	8,258,980
DEFERRED INFLOWS OF RESOURCES	57,626	1,494	59,120
NET POSITION			
Net investments in capital assets	1,683,206	3,305,520	4,988,726
Restricted for:			
Transportation	487,145	-	487,145
Public safety	117,554	-	117,554
Cultural and recreational	59,317	-	59,317
Economic development	126,605	-	126,605
USDA	-	33,295	33,295
Stabilization by State Statute	245,448	-	245,448
Unrestricted	(883,472)	771,077	(112,395)
Total net position	\$ 1,835,803	\$ 4,109,892	\$ 5,945,695

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

Town of Haw River
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 486,913	\$ -	\$ -	\$ -	(486,913)	\$ -	(486,913)
Public safety	1,312,898	-	16,273	55,553	(1,241,072)	-	(1,241,072)
Transportation	133,441	-	62,150	-	(71,291)	-	(71,291)
Economic and physical development	661	-	-	-	(661)	-	(661)
Environmental protection	118,128	125,285	1,860	-	9,017	-	9,017
Cultural and recreation	120,757	15,024	-	-	(105,733)	-	(105,733)
Interest on long-term debt	5,174	-	-	-	(5,174)	-	(5,174)
Total governmental activities	2,177,972	140,309	80,283	55,553	(1,901,827)	-	(1,901,827)
Business-type activities:							
Water and sewer	2,186,820	2,002,545	-	-	-	(184,275)	(184,275)
Stormwater	10,146	26,020	-	-	-	15,874	15,874
Total business-type activities	2,196,966	2,028,565	-	-	-	(168,401)	(168,401)
Total primary government	\$ 4,374,938	\$ 2,168,874	\$ 80,283	\$ 55,553	(1,901,827)	(168,401)	(2,070,228)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					724,200	-	724,200
Property taxes, levied for specific purpose					281,177	-	281,177
Other taxes					802,614	-	802,614
Unrestricted investment earnings					18,249	5,502	23,751
Miscellaneous					18,999	-	18,999
Total general revenues					1,845,239	5,502	1,850,741
Total change in net position					(56,588)	(162,899)	(219,487)
Net position-beginning					6,767,391	4,272,791	11,040,182
Restatement					(4,875,000)	-	(4,875,000)
Net position, beginning, restated					1,892,391	4,272,791	6,165,182
Net position-ending					\$ 1,835,803	\$ 4,109,892	\$ 5,945,695

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

**Town of Haw River
Balance Sheet
Governmental Funds
June 30, 2020**

Exhibit 3

	Major Fund - General	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 457,463	\$ -	\$ 457,463
Restricted cash and cash equivalents	664,016	126,605	790,621
Receivables, (net):			-
Taxes	15,394	-	15,394
Fire district levy	13,445	-	13,445
Accounts	18,971	-	18,971
Due from other governments	204,214	-	204,214
Due from other funds	22,263	-	22,263
Total assets	<u>1,395,766</u>	<u>126,605</u>	<u>1,522,371</u>
LIABILITIES			
Accounts payable and accrued liabilities	43,789	-	43,789
Total liabilities	<u>43,789</u>	<u>-</u>	<u>43,789</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	15,394	-	15,394
Fire district taxes receivable	13,445	-	13,445
Total deferred inflows of resources	<u>28,839</u>	<u>-</u>	<u>28,839</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	245,448	-	245,448
Transportation	487,145	-	487,145
Public safety	117,554	-	117,554
Cultural and recreation	59,317	-	59,317
Economic development	-	126,605	126,605
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned, General Fund	413,674	-	413,674
Total fund balances	<u>1,323,138</u>	<u>126,605</u>	<u>1,449,743</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,395,766</u>	<u>\$ 126,605</u>	<u>\$ 1,522,371</u>

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

**Town of Haw River
Balance Sheet
Governmental Funds
June 30, 2020**

Exhibit 3

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

Total fund balance, governmental funds.....		\$ 1,449,743
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost.....	5,312,003	
Accumulated depreciation.....	<u>(3,456,277)</u>	1,855,726
Deferred outflows of resources related to pensions are not reported in the funds.....		258,620
Deferred outflows of resources related to OPEB are not reported in the funds.....		164,818
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest receivable on taxes.....	2,404	
Notes receivable.....	<u>4,875,000</u>	4,877,404
Earned revenues considered deferred inflows of resources in fund statements.....		28,839
Deferred inflows of resources related to pensions are not reported in the funds.....		(37,893)
Deferred inflows of resources related to OPEB are not reported in the funds.....		(19,731)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Notes payable.....	(172,520)	
Compensated absences.....	(56,528)	
Net pension liability - LGERS.....	(330,387)	
Total pension liability - LEOSA.....	(246,396)	
OPEB liability.....	<u>(1,058,038)</u>	(1,863,869)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.....		<u>(2,854)</u>
Net Position of Governmental Activities.....		<u>\$ 6,710,803</u>

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

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

Exhibit 4

	Major Fund - General	Non-Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 719,147	\$ -	\$ 719,147
Unrestricted intergovernmental	802,614	-	802,614
Restricted intergovernmental	400,949	-	400,949
Sales and services	140,309	-	140,309
Investment earnings	17,766	483	18,249
Other revenues	29,315	-	29,315
Total revenues	<u>2,110,100</u>	<u>483</u>	<u>2,110,583</u>
Expenditures:			
Current:			
General government	461,476	-	461,476
Public safety	1,169,241	-	1,169,241
Transportation	59,232	-	59,232
Economic and physical development	-	1,872,131	1,872,131
Environmental protection	113,416	-	113,416
Cultural and recreation	111,364	-	111,364
Debt service:			
Principal	48,197	-	48,197
Interest and other charges	5,881	-	5,881
Total expenditures	<u>1,968,807</u>	<u>1,872,131</u>	<u>3,840,938</u>
Revenues over (under) expenditures	141,293	(1,871,648)	(1,730,355)
Other financing sources (uses):			
Installment purchase obligations issued	-	-	-
Sale of capital assets	5,750	-	5,750
Total other financing sources (uses)	<u>5,750</u>	<u>-</u>	<u>5,750</u>
Net change in fund balance	147,043	(1,871,648)	(1,724,605)
Fund balance, beginning	1,176,095	1,998,253	3,174,348
Fund balance, ending	<u>\$ 1,323,138</u>	<u>\$ 126,605</u>	<u>\$ 1,449,743</u>

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

**Town of Haw River
Balance Sheet
Governmental Funds
June 30, 2020**

Exhibit 4

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

Net change in fund balances - total governmental funds		\$ (1,724,605)
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized.....	\$ 32,935	
Depreciation expense for governmental assets.....	<u>(230,032)</u>	(197,097)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.....		-
Cost of special revenue expenditures on the Granite Mill project that are receivable from the developer on the Statement of Activities.....		1,871,470
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.....		64,693
Benefit payments paid and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Activities.....		24,730
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.....		68,190
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Amount of contributed capital.....	-	
Change in unavailable revenue for tax revenue.....	3,651	
Change in accrued interest receivable on taxes.....	<u>1,401</u>	5,052
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.		
New long-term debt issued.....	-	
Principal payments on long-term debt.....	48,197	
Increase in accrued interest payable.....	<u>707</u>	48,904
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences.....	(1,112)	
Pension expense.....	(124,421)	
OPEB plan expense.....	<u>(92,392)</u>	(217,925)
Total changes in net position of governmental activities		\$ (56,588)

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

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

General Fund

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

	General Fund			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 729,358	\$ 735,755	\$ 719,148	\$ (16,607)
Unrestricted intergovernmental	736,440	871,104	802,614	(68,490)
Restricted intergovernmental	382,212	454,588	400,949	(53,639)
Sales and services	130,956	130,956	140,309	9,353
Investment earnings	9,500	12,162	17,766	5,604
Other revenues	9,335	13,494	29,315	15,821
Total revenues	1,997,801	2,218,059	2,110,101	(107,958)
Expenditures:				
Current:				
General government	427,539	547,689	461,476	86,213
Public safety	1,175,110	1,294,882	1,169,242	125,640
Transportation	425,872	428,572	59,232	369,340
Environmental protection	115,500	124,800	113,416	11,384
Cultural and recreation	112,680	131,680	111,364	20,316
Debt service:				
Principal and interest	109,100	109,100	54,078	55,022
Total expenditures	2,365,801	2,636,723	1,968,808	667,915
Revenues over (under) expenditures	(368,000)	(418,664)	141,293	559,957
Other financing sources (uses):				
Installment purchase obligations issued	-	-	-	-
Sale of capital assets	1,000	1,314	5,750	4,436
Total other financing sources (uses)	1,000	1,314	5,750	4,436
Appropriated fund balance	367,000	417,350	-	(417,350)
Net change in fund balance	\$ -	\$ -	147,043	\$ 147,043
Fund balances:				
Beginning of year - July 1			1,176,095	
End of year - June 30			<u>\$ 1,323,138</u>	

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

Town of Haw River
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit 6

	Water and Sewer Fund	Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 642,919	\$ 135,303	\$ 778,222
Restricted cash and cash equivalents	95,787	-	95,787
Accounts receivable (net)	285,775	4,057	289,832
Total current assets	<u>1,024,481</u>	<u>139,360</u>	<u>1,163,841</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	104,271	-	104,271
Other capital assets, net of depreciation	4,277,725	-	4,277,725
Capital assets (net)	<u>4,381,996</u>	<u>-</u>	<u>4,381,996</u>
Total noncurrent assets	<u>4,381,996</u>	<u>-</u>	<u>4,381,996</u>
Total assets	<u>5,406,477</u>	<u>139,360</u>	<u>5,545,837</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	61,282	-	61,282
Total deferred outflows of resources	<u>61,282</u>	<u>-</u>	<u>61,282</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	5,647	1,196	6,843
Accrued interest payable	1,546	-	1,546
Customer deposits	62,492	-	62,492
Due to other funds	22,263	-	22,263
Compensated absences - current	12,298	-	12,298
Revenue bonds - current	14,000	-	14,000
Installment obligations - current	22,263	-	22,263
Total current liabilities	<u>140,509</u>	<u>1,196</u>	<u>141,705</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	7,860	-	7,860
Revenue bonds - noncurrent	684,000	-	684,000
Installment obligations - noncurrent	356,213	-	356,213
Net pension liability	72,970	-	72,970
Total OPEB liability	<u>232,985</u>	<u>-</u>	<u>232,985</u>
Total noncurrent liabilities	<u>1,354,028</u>	<u>-</u>	<u>1,354,028</u>
Total liabilities	<u>1,494,537</u>	<u>1,196</u>	<u>1,495,733</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	-	-
OPEB deferrals	1,494	-	1,494
Total deferred inflows of resources	<u>1,494</u>	<u>-</u>	<u>1,494</u>
NET POSITION			
Net investment in capital assets	3,305,520	-	3,305,520
Restricted - USDA	33,295	-	33,295
Unrestricted	632,913	138,164	771,077
Total net position	<u>\$ 3,971,728</u>	<u>\$ 138,164</u>	<u>\$ 4,109,892</u>

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

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

Exhibit 7

	Water and Sewer Fund	Stormwater Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,944,704	\$ -	\$ 1,944,704
Surcharges	1,200	-	1,200
Taps and connection fees	21,041	-	21,041
Other operating revenues	35,600	26,020	61,620
Total operating revenues	<u>2,002,545</u>	<u>26,020</u>	<u>2,028,565</u>
OPERATING EXPENSES			
Administration	437,196	-	437,196
Water distribution	838,575	-	838,575
Sewer collection	690,073	-	690,073
Stormwater	-	10,146	10,146
Depreciation	201,428	-	201,428
Total operating expenses	<u>2,167,272</u>	<u>10,146</u>	<u>2,177,418</u>
Operating income (loss)	<u>(164,727)</u>	<u>15,874</u>	<u>(148,853)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	5,502	-	5,502
Interest and other charges	(19,548)	-	(19,548)
Total nonoperating revenues (expenses)	<u>(14,046)</u>	<u>-</u>	<u>(14,046)</u>
Change in net position	<u>(178,773)</u>	<u>15,874</u>	<u>(162,899)</u>
Total net position - beginning	<u>4,150,501</u>	<u>122,290</u>	<u>4,272,791</u>
Total net position - ending	<u><u>\$ 3,971,728</u></u>	<u><u>\$ 138,164</u></u>	<u><u>\$ 4,109,892</u></u>

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

Town of Haw River
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit 8

	Water and Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,782,333	\$ 24,160	\$ 1,806,493
Cash paid for goods and services	(946,242)	(9,019)	(955,261)
Cash paid to or on behalf of employees for services	(995,192)	-	(995,192)
Customer deposits received	5,283	-	5,283
Customer deposits refunded	(676)	-	(676)
Other operating revenues	35,600	-	35,600
Net cash provided (used) by operating activities	<u>(118,894)</u>	<u>15,141</u>	<u>(103,753)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(47,754)	-	(47,754)
Principal paid on direct placement installment purchase obligations	(22,263)	-	(22,263)
Principal paid on bond maturities	(14,000)	-	(14,000)
Interest paid on bond maturities	(19,579)	-	(19,579)
Net cash provided (used) by capital and related financing activities	<u>(103,596)</u>	<u>-</u>	<u>(103,596)</u>
Cash flows from investing activities			
Interest and dividends	5,501	-	5,501
Net cash provided (used) by investing activities	<u>5,501</u>	<u>-</u>	<u>5,501</u>
Net increase (decrease) in cash and cash equivalents	<u>(216,989)</u>	<u>15,141</u>	<u>(201,848)</u>
Balances - beginning	955,695	120,162	1,075,857
Balances - ending	<u>\$ 738,706</u>	<u>\$ 135,303</u>	<u>\$ 874,009</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (164,727)	\$ 15,874	\$ (148,853)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	201,428	-	201,428
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable, net	(184,612)	(1,860)	(186,472)
(Increase) decrease in deferred outflows of resources - pensions	(579)	-	(579)
Increase (decrease) in accounts payable and accrued liabilities	(13,356)	1,127	(12,229)
Increase (decrease) in customer deposits	4,607	-	4,607
Increase (decrease) in accrued vacation payable	(3,486)	-	(3,486)
Increase (decrease) in pension liability	18,074	-	18,074
Increase (decrease) in OPEB liability	28,691	-	28,691
Increase (decrease) in deferred inflows of resources - pensions	(1,352)	-	(1,352)
Increase (decrease) in deferred inflows of resources - OPEB	(3,582)	-	(3,582)
Total adjustments	<u>45,833</u>	<u>(733)</u>	<u>45,100</u>
Net cash provided (used) by operating activities	<u>\$ (118,894)</u>	<u>\$ 15,141</u>	<u>\$ (103,753)</u>

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

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Haw River 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 Haw River ("the Town") is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. 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.

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:

Granite Mills Renovation Special Revenue Fund. This fund is used to account for grant funds that are restricted for the renovation of Granite Mills.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

The Town reports the following non-major enterprise fund:

Stormwater Fund – This fund is used to account for the Town's stormwater program operations.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise 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 Haw River because the tax is levied by Alamance 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 may fund 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

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Granite Mills Renovation Special Revenue Fund and the Enterprise Fund Capital Project Fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

The Town does not have a formal investment or credit risk policy.

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

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Monies donated to the Town by the Haw River Civic Center Association, Inc., are classified as restricted cash because they can only be expended for maintenance, upkeep and enhancement to the Haw River Civic Center Building per the term of the agreement with the donor organization. Federal forfeiture funds are also classified as restricted cash because it can be expended only for activities to enhance future investigation; law enforcement training, equipment and operations; detention facilities; law enforcement facilities and equipment; and drug education and awareness programs per 21 U.S.C. 881 (e)(1)(A) and (e)(3), 18 U.S.C. 981(e)(2), and 19 U.S.C. 1616a. State authorized substance tax funds are classified as restricted because it can be expended only for activities to enhance the Town's police department's ability to deter and investigate crimes, especially drug offences per G.S. 105-113.105 through 105-113-113. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Town of Haw River Restricted Cash

Governmental Activities

General Fund	Public safety	\$ 117,554
	Cultural and recreation	59,317
	Transportation	487,145
Granite Mills Renovations		
Special Revenue Fund	Unexpended grant proceeds	126,605
Total Governmental Activities		<u>790,621</u>

Business-type Activities

Water and Sewer Fund	Customer deposits	62,492
	USDA Reservation	33,295
Total Business-type Activities		<u>95,787</u>

Total Restricted Cash		<u><u>\$ 886,408</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date), however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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 Town's General Fund and Water and Sewer Fund inventories consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when purchased rather than when consumed.

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, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment, \$500. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	25 - 40
Plant and distribution system	40
Infrastructure	15 - 40
Equipment and furniture	5 - 15
Vehicles	5 - 30
Computer equipment and software	3 - 5

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 two items that meet this criterion, contributions made to the pension plan and OPEB plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – ad valorem tax receivable, fire tax receivable, OPEB deferrals 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 any applicable bond premiums or discounts. 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 any 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 provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are

**Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Transportation – 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 Public Safety – portion of fund balance that is restricted by revenue source for law enforcement activities as well as fire department capital reserve monies from a percentage of the fire tax.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by a donor organization for maintenance, upkeep and enhancement of the Haw River Civic Center Building.

Restricted for Economic Development – portion of fund balance that is restricted for the renovation of the Granite Mills. This amount represents the balance of the total unexpended grant proceeds received for the project.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Haw River's Town Council. The Town Council 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 Haw River intends to use for specific purposes.

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 authorized the manager to transfer amounts up to \$1,000 between functional areas, including contingency appropriations, within the same fund.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

The Town of Haw River 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 Haw River has not adopted a minimum fund balance policy for the general fund.

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 Haw River's employer contributions are recognized when due and the Town of Haw River 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town in the Town's 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.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

At June 30, 2020 the Town's deposits had a carrying amount of \$392,140, and a bank balance of \$471,520. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$250.

2. Investments

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

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust				
- Governmental Portfolio	Fair Value-Level 1	\$ 1,729,703	N/A	AAAm
Total		<u>\$ 1,729,703</u>		

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 are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk – The Town has no formal investment policy regarding interest rate risk.

Credit Risk – The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020.

Concentration of Credit Risk – The Town's Council places no limit on the amount that the Town may invest in any one issuer. For the year ended June 30, 2020, there were no investments in commercial paper that totaled more than 5 percent of the Town's investments.

3. Receivables – Allowances for Doubtful Accounts

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

General Fund:	
Taxes receivable - allowance	\$ 9,074
Fire Districts levy - allowance	7,398
Garbage receivable - allowance	7,391
Total	<u>23,863</u>
Enterprise Funds:	
Accounts receivable	35,276
Total allowances	<u>\$ 59,139</u>

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 167,968	\$ -	\$ -	\$ 167,968
Construction in progress	-	-	-	-
Total capital assets not being depreciated	167,968	-	-	167,968
Capital assets being depreciated:				
Buildings and improvements	914,199	-	-	914,199
Equipment, furniture and fixtures	1,749,980	32,934	106,475	1,676,439
Infrastructure	1,596,692	-	-	1,596,692
Vehicles and motorized equipment	990,716	-	34,012	956,704
Total capital assets being depreciated	5,251,587	32,934	140,487	5,144,034
Less accumulated depreciation for:				
Buildings and improvements	666,190	22,521	-	688,711
Equipment, furniture and fixtures	1,364,193	91,619	106,475	1,349,337
Infrastructure	807,853	41,666	-	849,519
Vehicles and motorized equipment	528,495	74,226	34,012	568,709
Total accumulated depreciation	3,366,731	\$ 230,032	\$ 140,487	3,456,276
Total capital assets being depreciated, net	1,884,856			1,687,758
Governmental activity capital assets, net	\$ 2,052,824			\$ 1,855,726

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

General government	\$ 17,877
Public safety	128,454
Transportation	74,194
Recreation	4,796
Environmental protection	4,711
Total depreciation expense	<u>\$ 230,032</u>

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Capital asset activity for the Business-type Activities for the year ended June 30, 2020, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated				
Land	\$ 1,040	\$ -	\$ -	\$ 1,040
Construction in progress	97,580	5,652	-	103,232
Total capital assets not being depreciated	98,620	5,652	-	104,272
Capital assets being depreciated:				
Plant and distribution systems	9,244,764	42,103	-	9,286,867
Equipment, furniture and fixtures	209,171	-	-	209,171
Vehicles and motorized equipment	81,042	-	-	81,042
Total capital assets being depreciated	9,534,977	42,103	-	9,577,080
Less accumulated depreciation for:				
Plant and distribution systems	4,853,012	188,619	-	5,041,631
Equipment, furniture and fixtures	196,441	3,039	-	199,480
Vehicles and motorized equipment	48,475	9,770	-	58,245
Total accumulated depreciation	5,097,928	\$ 201,428	\$ -	5,299,356
Total capital assets being depreciated, net	4,437,049			4,277,724
Business-type activities capital assets, net	<u>\$ 4,535,669</u>			<u>\$ 4,381,996</u>

The Town has active construction projects as of June 30, 2020. However, at year-end, the Town had no active construction commitments with contractors.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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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 Haw River 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 Haw River's 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 during the year. Contributions to the pension plan from the Town of Haw River were \$95,347 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 \$403,357 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 (measurement date), the Town's proportion was 0.01477%, which was no increase or decrease from its proportion measured as of June 30, 2018.

Town of Haw River, North Carolina
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For the year ended June 30, 2020, the Town recognized pension expense of \$178,715. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,065	\$ -
Changes of assumptions	65,741	-
Net difference between projected and actual earnings on pension plan investments	9,838	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,227	5,164
Town contributions subsequent to the measurement date	95,347	-
Total	\$ 245,218	\$ 5,164

\$95,347 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 70,545
2022	23,816
2023	38,785
2024	11,559
2025	-
Thereafter	-

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	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 922,552	\$ 403,357	\$ (28,199)

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.

Town of Haw River, North Carolina
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b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Haw River 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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	7
Total	<u><u>10</u></u>

Summary of Significant Accounting Policies:

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

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

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

Inflation	2.5 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-2014 Mortality tables with adjustments projected forward generationally from the valuation date using MP-2015.

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 \$40,704 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 \$246,396. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$24,730.

Town of Haw River, North Carolina
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,523	\$ 26,546
Changes of assumptions	10,081	6,183
Town benefit payments and plan administrative expense subsequent to the measurement date	20,352	-
Total	<u>\$ 45,956</u>	<u>\$ 32,729</u>

\$20,352 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 2,180
2022	1,483
2023	(6,163)
2024	(4,625)
2025	-
Thereafter	-

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:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	\$ 263,307	\$ 246,396	\$ 230,908

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

	<u>2020</u>
Beginning Balance	\$ 295,962
Service Cost	8,571
Interest on the total pension liability	10,032
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(33,513)
Changes of assumptions or other inputs	6,048
Benefit payments	(40,704)
Other changes	-
Ending Balance of the total pension liability	<u>\$ 246,396</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 from the period January 1, 2010 through December 31, 2014.

Town of Haw River, North Carolina
Notes to the Financial Statements
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Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 178,715	\$ 24,730	\$ 203,445
Pension Liability	403,357	246,396	649,753
Proportionate share of the net pension liability	0.01477%	n/a	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	69,065	15,523	84,588
Changes of assumptions	65,741	10,081	75,822
Net difference between projected and actual earnings on plan investments	9,838	-	9,838
Changes in proportion and differences between contributions and proportionate share of contributions	5,227	-	5,227
Benefit payments and administrative costs paid subsequent to the measurement date	95,347	20,352	115,699
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	-	26,546	26,546
Changes of assumptions	-	6,183	6,183
Changes in proportion and differences between contributions and proportionate share of contributions	5,164	-	5,164

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, 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. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$23,382, which consisted of \$20,494 from the Town and \$2,888, respectively, from the law enforcement officers.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by The Prudential Insurance Company of America. The Plan provides retirement benefits to non-law enforcement officers employed by the Town who are members of the Local Governmental Employees' Retirement System. The Town Council has the authority for establishing or amending the plan's provisions.

Funding Policy. The Town contributes an amount equal to five percent of each employees' salary, and all amounts are vested immediately. The employees may make voluntary contributions to the plan. The Town Council has the authority for establishing or amending contribution requirements. Contributions for the year ended June 30, 2020 were \$43,686, which consisted of \$33,555 from the Town and \$10,131, respectively, from the employees.

Town of Haw River, North Carolina
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e. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Haw River, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's Pension Fund 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 the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town is not required to contribute to the Fund; however, as a benefit to the firefighters, the Town has chosen to fund the member's contributions. Contribution provisions are established by General Statute 58- 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The Town of Haw River's proportionate share of the State's contribution is \$13,991.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2020, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$27,736. 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the Town recognized pension expense of \$4,381 and revenue of \$4,381 for support provided by the State. At June 30, 2020, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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:

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Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan noted above.

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.

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.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan), health care benefits to retirees of the Town, provided they retire under the provisions set forth under the north Carolina Local Governmental Employees' Retirement System (NCLGERS) and are eligible for continuation of the same coverage in the Town's group health insurance plan until the retiree becomes eligible for Medicare. Health care and prescription drug coverage are provided through the purchase of individual health insurance plans for each retiree. The Town subsidizes this coverage until the retiree becomes eligible for Medicare.

The Town's contribution to the cost of coverage for eligible retirees is based on the following:

The Town will pay the percentage of premium for coverage for employees hired before August 1, 2010 based on the following schedule:

Years of Service at Retirement	Town Contribution
20 or more	100%
15-19	75%
10-14	50%
5-9	25%

The Town will pay the percentage of premium for coverage for employees hired on or after August 1, 2010 based on the following schedule:

Years of Service at Retirement	Town Contribution
30 or more	100%
25-29	75%
20-24	50%

Employees with five or more years of Town service who retire under disability will have 100% of the health plan premium paid by the Town.

Town of Haw River, North Carolina
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Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	2	3
Active plan members	17	8
Total	<u>19</u>	<u>11</u>

Total OPEB Liability

The Town's total OPEB liability of \$1,291,023 was measured as of June 30, 2019 and was determined by an actuarial valuation at that date.

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

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare 7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 1,208,092
Changes for the year:	
Service Cost	55,053
Interest	45,610
Changes of benefit terms	-
Changes between expected and actual experience	12,121
Changes in assumptions or other inputs	42,045
Benefit payments	(71,898)
Net changes	<u>82,931</u>
Balance at June 30, 2020	<u>\$ 1,291,023</u>

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of a recent plan experience done concurrently with the June 30, 2019 valuation.

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 1,406,771	\$ 1,291,023	\$ 1,186,529

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 1,148,824	\$ 1,291,023	\$ 1,459,587

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$108,763. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,332	\$ 2,631
Changes of assumptions	57,152	18,596
Town benefit payments and plan administrative expense subsequent to the measurement date	73,062	-
Total	<u>\$ 193,546</u>	<u>\$ 21,227</u>

\$73,062 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 8,100
2022	8,100
2023	17,934
2024	18,453
2025	18,453
Thereafter	28,219

Town of Haw River, North Carolina
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2. Other Employee Benefits

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

3. 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
Pensions- differences between expected and actual experience	\$ 84,588
Pensions- changes of assumptions	75,822
Pensions- difference between projected and actual earnings	9,838
Pensions- changes in proportion and differences between employer contributions and proportionate share of contributions	5,227
Contributions to pension plan in current fiscal year	95,347
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	20,352
OPEB- differences between expected and actual experience	63,332
OPEB- changes of assumptions	57,152
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	73,062
Total	\$ 484,720

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 28,839
Pensions- differences between expected and actual experience	26,546	-
Pensions- changes in assumptions	6,183	-
Pensions- changes in proportion and differences between employer contributions and proportionate share of contributions	5,164	-
OPEB- differences between expected and actual experience	2,631	
OPEB- changes in assumptions	18,596	
Total	\$ 59,120	\$ 28,839

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage up to \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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 other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years

The Town has blanket coverage up to \$5 million in flood insurance as long as it is in NFIP Flood Map Zones B, C, and X; outside of these zones, there is no coverage. There is a \$50,000 deductible.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 and the town clerk and other employees are covered under \$10,000 bond through a blanket policy.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2020, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Capital Leases

The Town did not have any leases outstanding that were considered to be capital in nature.

b. Installment Purchases

Governmental Activities:

In June 2016, the Town entered into a \$89,933 direct placement contract to finance two police cars. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 5 annual payments of \$18,935 beginning in fiscal year 2017 with an interest rate of 2.09%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$388 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 18,546	\$ 388
Total	\$ 18,546	\$ 388

In April 2017, the Town entered into a \$134,031 direct placement contract to finance a 2017 Freightliner Grapple Truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 7 annual payments of \$20,511 beginning in fiscal year 2017 with an interest rate of 1.75%.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Annual debt service payments of the installment purchase as of June 30, 2020, including \$3,430 of interest, are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 19,145	\$ 1,366
2022	19,480	1,031
2023	19,821	690
2024	19,603	343
Total	<u>\$ 78,049</u>	<u>\$ 3,430</u>

In November 2018, the Town entered into a \$88,225 direct placement contract to finance two police vehicles. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 7 annual payments of \$14,633 beginning in fiscal year 2020 with an interest rate of 3.875%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$10,787 of interest, are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 11,641	\$ 2,992
2022	12,100	2,533
2023	12,569	2,064
2024	13,056	1,577
2025	13,559	1,074
2026-2029	13,000	547
Total	<u>\$ 75,925</u>	<u>\$ 10,787</u>

Business-type Activities:

In May 2017, the Town entered into a \$445,265 direct placement contract with the North Carolina Department of Environmental Quality to finance sanitary sewer rehabilitation improvements. The financing contract requires 20 annual payments of \$22,263 beginning in fiscal year 2018 with no interest. This debt is not secured.

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

Year Ending June 30	Principal
2021	\$ 22,263
2022	22,263
2023	22,263
2024	22,263
2025	22,263
2026-2030	111,317
2031-2035	111,317
2036-2039	44,527
Total	<u>\$ 378,476</u>

c. Revenue Bond

\$774,000 Water and Sewer Revenue Bond, Series 2012 issues for sanitary sewer system improvements. Principal installments are due annually on June 1, beginning June 2015 with annual interest payments beginning June 2013, at an annual interest rate of 2.75%.

\$ 698,000

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 14,000	\$ 19,195
2022	14,000	18,810
2023	15,000	18,425
2024	15,000	18,013
2025	15,000	17,600
2026-2030	84,000	81,454
2031-2035	96,000	69,244
2036-2040	110,000	55,301
2041-2045	127,000	39,272
2046-2050	145,000	20,901
2051-2052	63,000	2,613
Total	<u>\$ 698,000</u>	<u>\$ 360,828</u>

The following table summarizes the annual requirements to amortize all long-term liabilities outstanding at June 30, 2020 (excluding compensated absences, pension liabilities, OPEB liabilities, and any claims or judgments).

	<u>General Obligation Bonds</u>		<u>Other Long-Term Indebtedness</u>		<u>Total Debt Due</u>	
<u>Serviced by General Fund:</u>	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
Fiscal Year						
2021	\$ -	\$ -	\$ 49,332	\$ 4,746	\$ 49,332	\$ 4,746
2022	-	-	31,580	3,564	31,580	3,564
2023	-	-	32,390	2,754	32,390	2,754
2024	-	-	32,659	1,920	32,659	1,920
2024	-	-	13,559	1,074	13,559	1,074
2026-2030	-	-	13,000	547	13,000	547
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-
2051-2052	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,520</u>	<u>\$ 14,605</u>	<u>\$ 172,520</u>	<u>\$ 14,605</u>

	<u>Principle</u>		<u>Interest</u>		<u>Principle</u>		<u>Interest</u>	
<u>Serviced by Water & Sewer Fund:</u>								
Fiscal Year								
2021	\$ 14,000	\$ 19,195	\$ 22,263	\$ -	\$ 36,263	\$ 19,195		
2022	14,000	18,810	22,263	-	36,263	18,810		
2023	15,000	18,425	22,263	-	37,263	18,425		
2024	15,000	18,013	22,263	-	37,263	18,013		
2025	15,000	17,600	22,263	-	37,263	17,600		
2026-2030	84,000	81,454	111,317	-	195,317	81,454		
2031-2035	96,000	69,244	111,317	-	207,317	69,244		
2036-2040	110,000	55,301	44,527	-	154,527	55,301		
2041-2045	127,000	39,272	-	-	127,000	39,272		
2046-2050	145,000	20,901	-	-	145,000	20,901		
2051-2052	63,000	2,613	-	-	63,000	2,613		
	<u>\$ 698,000</u>	<u>\$ 360,828</u>	<u>\$ 378,476</u>	<u>\$ -</u>	<u>\$ 1,076,476</u>	<u>\$ 360,828</u>		

At June 30, 2020, the Town of Haw River had bonds authorized but unissued of \$738,000 and a legal debt margin of \$12,547,749.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

d. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Direct Placement Installment purchases	\$ 220,717	\$ -	\$ 48,197	\$ 172,520	\$ 49,332
Forgivable Loan - Granite Mills	-	4,875,000	-	4,875,000	-
Compensated absences	55,414	54,267	53,155	56,526	54,267
Total OPEB liability	1,003,798	54,240	-	1,058,038	-
Net pension liability (LGERS)	295,499	34,888	-	330,387	-
Total pension liability (LEOSSA)	295,962	-	49,566	246,396	-
Governmental activity long-term liabilities	\$ 1,871,390	\$ 5,018,395	\$ 150,918	\$ 6,738,867	\$ 103,599
Business-type activities:					
Revenue Bonds	\$ 712,000	\$ -	\$ 14,000	\$ 698,000	\$ 14,000
Direct Placement Installment purchases	400,738		22,262	378,476	22,263
Compensated absences	23,644	12,298	15,784	20,158	12,298
Total OPEB liability	204,294	28,691	-	232,985	-
Net pension liability (LGERS)	54,896	18,074	-	72,970	-
Business-type activity long-term liabilities	\$ 1,395,572	\$ 59,063	\$ 52,046	\$ 1,402,589	\$ 48,561

C. Interfund Balances and Activity

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

Due to the General Fund for the allocation of costs from the Water and Sewer Fund \$ 22,263

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

D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$4,381, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2020. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,855,726	\$ 4,381,996
Less: Long-term debt	172,520	1,076,476
Net investment in capital assets	\$ 1,683,206	\$ 3,305,520

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

F. Fund Balance

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

Total fund balance - General Fund	\$ 1,323,138
Less: Stabilization by State Statute	(245,448)
Streets - Powell Bill	(487,145)
Public Safety	(117,554)
Cultural and Recreation	(59,317)
Appropriated in 2021 budget	-
Remaining fund balance	<u>\$ 413,674</u>

III. Jointly Governed Organization

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member and one alternate if they so desire, to the Council's governing board. The Town paid \$550 in general membership fees to the Council during the fiscal years ended June 30, 2020.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Prior Period Adjustment

The Net Assets for the general fund have been restated with a prior period adjustment for the conversion of the Special Revenue Fund grant for the Granite Mills Project. These proceeds were received during the June 30, 2018 fiscal year and reported in a Special Revenue Fund. The expenditures were also reported through this fund. These funds are reimbursement funds to the recipient for the renovation of the Granite Mills Project as awarded by the North Carolina Department of Commerce. The grant agreement contains a loan provision converting the grant into a forgivable loan. This loan can be forgiven following an application process where a specific agreed upon amount can be requested to be forgiven each year if the receiving Company is in compliance with all covenant provisions. It is anticipated that the Company will remain in compliance with the covenants and that forgiveness will be applied for in accordance with the stated schedule in the loan agreement. The prior period adjustment converts the proceeds received and now spent into the loan payable with an offsetting accounts receivable from the recipient in the event they do not comply with the required covenants and become liable for the repayment of the loan. As forgiveness is requested and approved the accounts receivable and the loan payable will both be reduced by the amount approved.

**Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

VI. Significant Effects of Subsequent Events

In accordance with ASC 855, the Town evaluated subsequent events through March 11, 2021 the date the financial statements were available to be issued.

Town of Haw River, North Carolina
Required Supplementary Information
Town of Haw River's Proportionate Share of Net Pension Liability (Asset)
Last Seven Fiscal Years *
June 30, 2020

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Haw River's proportion of the net pension liability (asset) (%)	0.0148%	0.0148%	0.0148%	0.0131%	0.0159%	-0.0200%	0.0200%
Haw River's proportion of the net pension liability (asset) (\$)	\$ 403,357	\$350,395	\$225,797	\$277,177	\$ 71,448	\$(92,000)	\$186,835
Haw River's covered payroll	1,129,476	890,724	838,049	823,716	900,346	867,546	829,947
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.71%	39.34%	26.94%	33.65%	7.94%	-10.60%	22.51%
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%

Notes to the Required Schedules

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

**Town of Haw River, North Carolina
Required Supplementary Information
Town of Haw River's Contributions
Last Seven Fiscal Years *
June 30, 2020**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 95,347	\$ 80,593	\$ 69,403	\$ 63,188	\$ 56,447	\$ 64,795	\$ 62,013
Contributions in relation to the contractually required contribution	<u>95,347</u>	<u>80,593</u>	<u>69,403</u>	<u>63,188</u>	<u>56,447</u>	<u>64,795</u>	<u>62,013</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Haw River's covered payroll	\$ 1,111,313	\$ 1,129,476	\$ 890,724	\$ 838,049	\$ 823,716	\$ 900,346	\$ 867,546
Contributions as a percentage of covered payroll	8.58%	7.14%	7.79%	7.54%	6.85%	7.20%	7.15%

Notes to the Required Schedules

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

Town of Haw River, North Carolina
Required Supplementary Information
Town of Haw River's Proportionate Share of Net Pension Liability
Last Six Fiscal Years *
June 30, 2020

Firefighters' and Rescue Squad Workers' Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Haw River's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Haw River's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town of Haw River	<u>27,736</u>	<u>23,012</u>	<u>24,002</u>	<u>9,738</u>	<u>9,668</u>	<u>8,052</u>
Total	<u>\$ 27,736</u>	<u>\$ 23,012</u>	<u>\$ 24,002</u>	<u>\$ 9,738</u>	<u>\$ 9,668</u>	<u>\$ 8,052</u>
Haw River's covered payroll	\$ 170,616	\$ 167,847	\$ 124,029	\$ 128,712	\$ 129,704	\$ 154,476
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	16.26%	13.71%	19.35%	7.57%	7.45%	5.21%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%

Notes to the Required Schedules

* The amounts are presented for the prior fiscal year. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Haw River, North Carolina
Required Supplementary Information
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	\$ 295,962	\$ 320,959	\$ 298,424	\$ 325,121
Service cost	8,571	8,917	7,827	7,671
Interest on the total pension liability	10,032	9,499	10,724	10,880
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(33,513)	6,308	31,244	-
Changes of assumptions or other inputs	6,048	(9,017)	13,966	(4,544)
Benefit payments	(40,704)	(40,704)	(41,226)	(40,704)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 246,396</u>	<u>\$ 295,962</u>	<u>\$ 320,959</u>	<u>\$ 298,424</u>

Notes to the Required Schedules

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

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

Town of Haw River, 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	\$ 246,396	\$	295,962	\$	320,959	\$	298,424
Covered payroll	315,489		320,611		306,270		353,791
Total pension liability as a percentage of covered payroll	78.10%		92.31%		104.80%		84.35%

Notes to the Required Schedules

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

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

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

<u>Total OPEB Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 55,053	\$ 40,930	\$ 43,992
Interest	45,610	36,283	31,564
Changes of benefit terms	-	44,800	-
Differences between expected and actual experience	12,121	69,775	(6,480)
Changes of assumptions or other inputs	42,045	26,819	(45,804)
Benefit payments	<u>(71,898)</u>	<u>(58,873)</u>	<u>(46,752)</u>
Net change in total OPEB liability	82,931	159,734	(23,480)
Total OPEB liability - beginning	<u>1,208,092</u>	<u>1,048,358</u>	<u>1,071,838</u>
Total OPEB liability - ending	<u>\$ 1,291,023</u>	<u>\$ 1,208,092</u>	<u>\$ 1,048,358</u>
Covered payroll	\$ 901,226	\$ 901,226	\$ 751,096
Total OPEB liability as a percentage of covered payroll	143.25%	134.05%	139.58%

Notes to the Required Schedules

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

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

General Fund

Schedule of Revenues, Expenditures, and

Changes in Fund Balances - Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
Ad valorem taxes:				
Current year	\$ 692,000	\$ 686,789	\$ (5,211)	\$ 533,491
Prior years	21,869	9,043	(12,826)	83,887
Penalties and interest	21,886	23,315	1,429	86,538
Total	735,755	719,147	(16,608)	703,916
Unrestricted intergovernmental:				
Local option sales taxes	622,604	545,676	(76,928)	531,241
Hold harmless distribution	85,000	102,461	17,461	97,195
Utility franchise tax	153,000	143,909	(9,091)	153,190
Beer and wine tax	10,500	10,568	68	10,461
Total	871,104	802,614	(68,490)	792,086
Restricted intergovernmental:				
Powell Bill allocation	62,000	62,150	150	62,039
Alamance County fire district tax	277,336	281,177	3,841	278,545
Federal grants	76,501	29,203	(47,298)	26,683
State grants	-	-	-	18,704
Equitable share of Federally forfeited property	29,955	26,350	(3,605)	1,755
Unauthorized substance tax	7,196	209	(6,987)	32
Solid waste disposal tax	1,600	1,860	260	2,138
Total	454,588	400,949	(53,639)	389,896
Sales and services:				
Rentals	13,400	11,887	(1,513)	15,227
Recreation department fees	2,000	3,137	1,137	3,893
Refuse collection fees	115,556	125,285	9,729	105,674
Total	130,956	140,309	9,353	124,794
Investment earnings	12,162	17,766	5,604	27,147
Other revenues:				
Police Department	2,500	4,730	2,230	4,793
Park donations	-	-	-	-
Fire department	3,500	11,334	7,834	16,179
Other revenues	7,494	13,250	5,756	76,151
Total	13,494	29,315	15,821	97,123
Total revenues	2,218,059	2,110,100	(107,959)	2,134,962

General Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Expenditures</u>				
<u>General government</u>				
Governing body:				
Salaries and employee benefits	\$ 10,852	\$ 9,664	\$ 1,188	\$ 10,512
Other operating expenditures	2,500	708	1,792	845
Capital outlay	-	-	-	-
Total	13,352	10,372	2,980	11,357
Administration:				
Salaries and employee benefits	115,847	104,380	11,467	99,186
Maintenance	2,500	1,282	1,218	406
Other operating expenditures	214,050	185,428	28,622	112,997
Capital outlay	2,300	-	2,300	3,808
Total	334,697	291,090	43,607	216,397
Public Buildings:				
Other operating expenditures	41,000	37,691	3,309	29,872
Capital outlay	15,000	-	15,000	-
Total	56,000	37,691	18,309	29,872
Non-departmental:				
Special compensation	10,000	5,463	4,537	-
Insurance and bonds	114,000	97,297	16,703	85,815
Total	124,000	102,760	21,240	85,815
Special appropriations:				
Elections	2,000	1,869	131	-
Cemetery association	1,000	1,000	-	1,000
Animal shelter	16,640	16,694	(54)	16,644
Total	19,640	19,563	77	17,644
Total General Government	547,689	461,476	86,213	361,085
<u>Public safety</u>				
Police:				
Salaries and employee benefits	666,099	619,511	46,588	663,801
Vehicle maintenance	33,000	34,743	(1,743)	33,847
Other operating expenditures	58,969	66,489	(7,520)	76,246
Capital outlay	79,513	32,116	47,397	131,348
Total	837,581	752,859	84,722	905,242
Fire:				
Salaries and employee benefits	352,981	332,655	20,326	346,105
Vehicle maintenance	35,300	27,172	8,128	36,286
Other operating expenditures	54,020	55,736	(1,716)	43,260
Capital outlay	15,000	819	14,181	117,940
Total	457,301	416,382	40,919	543,591
Total Public safety	1,294,882	1,169,241	125,641	1,448,833

General Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Expenditures (continued):</u>				
<u>Transportation</u>				
Streets and highways:				
Salaries and employee benefits	\$ 19,872	\$ 12,825	\$ 7,047	\$ 36,014
Vehicle maintenance	6,700	3,650	3,050	3,591
Street lights	23,000	16,781	6,219	19,460
Contracted services	1,600	(230)	1,830	3,117
Other operating expenditures	177,400	26,206	151,194	22,721
Capital outlay	200,000	-	200,000	85,925
Total Transportation	428,572	59,232	369,340	170,828
<u>Environmental protection</u>				
Solid waste:				
Contracted services	124,800	113,416	11,384	111,118
Total Environmental protection	124,800	113,416	11,384	111,118
<u>Culture and recreation</u>				
Parks and recreation:				
Salaries and employee benefits	89,380	84,840	4,540	236,101
Vehicle maintenance	3,300	2,701	599	3,194
Other operating expenditures	39,000	23,823	15,177	34,522
Capital outlay	-	-	-	-
Total Culture and recreation	131,680	111,364	20,316	273,817
Debt service:				
Principal	109,100	48,197	60,903	81,963
Interest	-	5,881	(5,881)	4,980
Total Debt service	109,100	54,078	55,022	86,943
Total expenditures	2,636,723	1,968,807	667,916	2,452,624
Revenues Over (Under) Expenditures	(418,664)	141,293	559,957	(317,662)
<u>Other Financing Sources (Uses)</u>				
Installment purchase obligations issued	-	-	-	87,139
Sales of capital assets	1,314	5,750	4,436	-
Total other financing sources (uses)	1,314	5,750	4,436	87,139
Fund balance appropriated	417,350	-	(417,350)	-
Net change in fund balance	\$ -	147,043	\$ 147,043	(230,523)
Fund balance - beginning		1,176,095		1,406,618
Fund balance - ending		\$1,323,138		\$1,176,095

Town of Haw River, North Carolina
Granite Mills Renovation Special Revenue Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2020

Statement 2

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Revenues					
Restricted intergovernmental					
NC Dept of Commerce Grant	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
Investment earnings	-	9,049	483	9,532	9,532
Total revenues	<u>5,000,000</u>	<u>5,009,049</u>	<u>483</u>	<u>5,009,532</u>	<u>9,532</u>
Expenditures					
Engineering	-	-	-	-	-
Construction administration	-	-	-	-	-
Permitting	-	-	-	-	-
Reimbursable Expenses	5,000,000	3,003,530	1,871,470	4,875,000	125,000
Grant/Loan Admin	-	7,266	661	7,927	(7,927)
Total expenditures	<u>5,000,000</u>	<u>3,010,796</u>	<u>1,872,131</u>	<u>4,882,927</u>	<u>117,073</u>
Revenues under expenditures	<u>-</u>	<u>1,998,253</u>	<u>(1,871,648)</u>	<u>126,605</u>	<u>(107,541)</u>
Other financing sources (uses):					
Transfer from Water and Sewer Fund	-	-	-	-	-
Debt proceeds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) uses	<u>\$ -</u>	<u>\$ 1,998,253</u>	<u>(1,871,648)</u>	<u>\$ 126,605</u>	<u>\$ 126,605</u>
Fund balance, July 1			1,998,253		
Fund balance, June 30			<u>\$ 126,605</u>		

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

Statement 3

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales	\$1,051,944	\$1,228,251	\$ 176,307	\$ 986,104
Sewer charges	673,100	716,453	43,353	650,649
Surcharges	1,200	1,200	-	1,200
Total	<u>1,726,244</u>	<u>1,945,904</u>	<u>219,660</u>	<u>1,637,953</u>
Taps and connection fees	21,041	21,041	-	12,235
Other operating revenues	34,708	35,600	892	40,372
Total operating revenues	<u>1,781,993</u>	<u>2,002,545</u>	<u>220,552</u>	<u>1,690,560</u>
Nonoperating revenues:				
Interest on investments	6,000	5,502	(498)	11,464
Total nonoperating revenues	<u>6,000</u>	<u>5,502</u>	<u>(498)</u>	<u>11,464</u>
Total revenues	<u>1,787,993</u>	<u>2,008,047</u>	<u>220,054</u>	<u>1,702,024</u>
Expenditures:				
Administration:				
Salaries and employee benefits	396,807	376,773	20,034	132,328
Supplies and materials	1,500	2,221	(721)	975
Contracted services	10,000	11,133	(1,133)	12,798
Other operating expenses	78,000	25,736	52,264	126,630
Capital outlay	3,000	-	3,000	5,712
Total	<u>489,307</u>	<u>415,863</u>	<u>73,444</u>	<u>278,443</u>
Water distribution:				
Salaries and employee benefits	90,063	71,228	18,835	70,341
Supplies	15,500	41,688	(26,188)	13,499
Maintenance	4,500	1,534	2,966	9,515
Water purchased for resale	735,960	682,234	53,726	713,555
Other operating expenditures	43,600	36,352	7,248	33,658
Capital outlay	13,500	-	13,500	3,066
Total	<u>903,123</u>	<u>833,036</u>	<u>70,087</u>	<u>843,634</u>
Sewer collection system:				
Salaries and employee benefits	127,006	109,027	17,979	75,082
Supplies	8,000	6,201	1,799	12,632
Maintenance	7,500	2,907	4,593	29,708
Purchase of sewer service	567,600	518,833	48,767	577,802
Other operating expenditures	73,348	42,212	31,136	75,522
Capital outlay	72,000	42,103	29,897	103,000
Total	<u>855,454</u>	<u>721,283</u>	<u>134,171</u>	<u>873,746</u>

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

Statement 3

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019
	Budget	Actual	Variance Positive (Negative) Actual
Expenditures (continued):			
Debt service:			
Principal	\$ 58,500	\$ 36,263	\$ 22,237
Interest	-	19,580	(19,580)
Total	58,500	55,843	2,657
Total expenditures	2,306,384	2,026,025	280,359
Revenues over (under) expenditures	(518,391)	(17,978)	500,413
Other financing sources (uses):			
Appropriated fund balance	518,391	-	(518,391)
Total	518,391	-	(518,391)
Revenue and other sources over (under) expenditures and other uses	\$ -	\$ (17,978)	\$ (17,978)

Reconciliation of modified accrual basis to full accrual basis:

Revenue and other sources over (under) expenditures and other uses	\$ (17,978)	\$ (349,000)
Reconciling items:		
Principal retirement	36,263	35,263
Capital outlay	42,103	111,778
Depreciation	(201,428)	(192,793)
(Increase) decrease in accrued vacation	3,487	(7,925)
Increase (decrease) in deferred outflows of resources - pensions	(11,728)	19,146
(Increase) decrease in net pension liability	(18,073)	(23,036)
(Increase) decrease in deferred inflows of resources- pensions	1,352	985
Increase (decrease) in deferred outflows of resources - OPEB	12,307	16,421
(Increase) decrease in OPEB liability	(28,691)	(29,533)
(Increase) decrease in deferred inflows of resources- OPEB	3,582	1,914
(Increase) decrease in accrued interest payable	31	29
Total reconciling items	(160,795)	(67,751)
Change in net position	\$ (178,773)	\$ (416,751)

Town of Haw River, North Carolina
Lang Street Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2020

Statement 4

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Revenues					
NC DENR grant	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Engineering	140,000	97,580	5,651	103,231	36,769
Construction administration	110,000	-	-	-	110,000
Permitting	5,000	-	-	-	5,000
Reimbursable Expenses	5,000	-	-	-	5,000
Grant/Loan Admin	30,000	-	-	-	30,000
	<u>290,000</u>	<u>97,580</u>	<u>5,651</u>	<u>103,231</u>	<u>186,769</u>
Total expenditures	<u>290,000</u>	<u>97,580</u>	<u>5,651</u>	<u>103,231</u>	<u>186,769</u>
Revenues under expenditures	<u>(290,000)</u>	<u>(97,580)</u>	<u>(5,651)</u>	<u>(103,231)</u>	<u>(186,769)</u>
Other financing sources (uses):					
Transfer from Water and Sewer Fund	-	-	-	-	-
Debt proceeds	290,000	-	-	-	(290,000)
	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(290,000)</u>
Revenues and other financing sources over (under) uses	<u>\$ -</u>	<u>\$ (97,580)</u>	<u>\$ (5,651)</u>	<u>\$ (103,231)</u>	<u>\$ (103,231)</u>

Town of Haw River, North Carolina
Proprietary Fund Type - Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Statement 5

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Stormwater fees	\$ 22,700	\$ 26,020	\$ 3,320	\$ 24,431
Total operating revenues	22,700	26,020	3,320	24,431
 Total revenues	 22,700	 26,020	 3,320	 24,431
 Expenditures:				
Stormwater expenditures	25,700	10,146	15,554	16,040
 Total expenditures	 25,700	 10,146	 15,554	 16,040
 Revenues over (under) expenditures	 (3,000)	 15,874	 18,874	 8,391
 Other financing sources (uses):				
Appropriated fund balance	3,000	-	(3,000)	-
Total	3,000	-	(3,000)	-
 Revenue and other sources over (under) expenditures and other uses	 \$ -	 \$ 15,874	 \$ 15,874	 \$ 8,391

Town of Haw River, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Statement 6

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2020</u>
2019-2020	\$ -	\$ 719,805	\$ 707,488	\$ 12,317
2018-2019	9,867	-	5,913	3,954
2017-2018	2,237	-	576	1,661
2016-2017	912	-	356	556
2015-2016	608	-	9	599
2014-2015	586	-	8	578
2013-2014	1,427	-	83	1,344
2012-2013	1,166	-	86	1,080
2011-2012	1,526	-	110	1,416
2010-2011	963	-	-	963
2009-2010	684	-	684	-
	<u>\$ 19,976</u>	<u>\$ 719,805</u>	<u>\$ 715,313</u>	<u>24,468</u>
Less: Allowance for uncollectible accounts (General Fund)				<u>9,074</u>
Ad valorem taxes receivable - net				<u><u>\$ 15,394</u></u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund			\$ 719,147	
Add (subtract):				
Interest collected and other adjustments				(4,518)
Amount written off for tax year 2009-2010				<u>684</u>
Total collections and credits			<u><u>\$ 715,313</u></u>	

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

Statement 7

	<u>Town - Wide</u>			<u>Total Levy</u>	
	<u>Total Property</u> <u>Valuation</u>	<u>Rate</u>	<u>Amount of</u> <u>Levy</u>	<u>Property</u> <u>Excluding</u> <u>Registered</u> <u>Motor</u> <u>Vehicles</u>	<u>Registered</u> <u>Motor</u> <u>Vehicles</u>
Tax levy:					
Real property	\$ 150,092,636	0.48	\$ 720,465	\$ 635,882	\$ 84,583
Abatements	(133,228)	0.48	(660)	(660)	-
Total property valuation	<u>\$ 149,959,408</u>		<u>719,805</u>	<u>635,222</u>	<u>84,583</u>
Uncollected taxes at June 30, 2020			<u>12,317</u>	<u>11,899</u>	<u>418</u>
Current year taxes collected			<u>\$ 707,488</u>	<u>\$ 623,323</u>	<u>\$ 84,165</u>
Current levy collection percentage			<u>98.29%</u>	<u>98.13%</u>	<u>99.51%</u>

Town of Haw River
Schedule of Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

Statement 8

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 878,869	\$ (235,950)	\$ 642,919
Restricted cash and cash equivalents	39,469	56,318	95,787
Accounts receivable (net)	180,492	105,283	285,775
Total current assets	<u>1,098,830</u>	<u>(74,349)</u>	<u>1,024,481</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	104,271	104,271
Other capital assets, net of depreciation	2,285,033	1,992,692	4,277,725
Capital assets (net)	<u>2,285,033</u>	<u>2,096,963</u>	<u>4,381,996</u>
Total noncurrent assets	<u>2,285,033</u>	<u>2,096,963</u>	<u>4,381,996</u>
Total assets	<u>3,383,863</u>	<u>2,022,614</u>	<u>5,406,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	38,705	22,577	61,282
Total deferred outflows of resources	<u>38,705</u>	<u>22,577</u>	<u>61,282</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,566	2,081	5,647
Accrued interest payable	-	1,546	1,546
Customer deposits	39,469	23,023	62,492
Due to other funds	-	22,263	22,263
Compensated absences - current	7,767	4,531	12,298
Revenue bonds - current	-	14,000	14,000
Installment obligations - current	-	22,263	22,263
Total current liabilities	<u>50,803</u>	<u>89,706</u>	<u>140,509</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	4,964	2,896	7,860
Revenue bonds - noncurrent	-	684,000	684,000
Installment obligations - noncurrent	-	356,213	356,213
Net pension liability	46,087	26,883	72,970
Total OPEB liability	<u>147,150</u>	<u>85,835</u>	<u>232,985</u>
Total noncurrent liabilities	<u>198,202</u>	<u>1,155,826</u>	<u>1,354,028</u>
Total liabilities	<u>249,004</u>	<u>1,245,533</u>	<u>1,494,537</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	-	-
OPEB deferrals	944	550	1,494
Total deferred inflows of resources	<u>944</u>	<u>550</u>	<u>1,494</u>
NET POSITION			
Net investment in capital assets	2,285,033	1,020,487	3,305,520
Restricted - USDA	-	33,295	33,295
Unrestricted	887,587	(254,674)	632,913
Total net position	<u>\$ 3,172,619</u>	<u>\$ 799,109</u>	<u>\$ 3,971,728</u>

Town of Haw River
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

Statement 9

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 1,228,251	\$ 716,453	\$ 1,944,704
Surcharges	-	1,200	1,200
Taps and connection fees	21,041	-	21,041
Other operating revenues	22,485	13,115	35,600
Total operating revenues	<u>1,271,777</u>	<u>730,768</u>	<u>2,002,545</u>
OPERATING EXPENSES			
Administration	276,128	161,068	437,196
Water distribution	838,575	-	838,575
Sewer collection	-	690,073	690,073
Depreciation	127,219	74,209	201,428
Total operating expenses	<u>1,241,921</u>	<u>925,351</u>	<u>2,167,272</u>
Operating income (loss)	<u>29,855</u>	<u>(194,582)</u>	<u>(164,727)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	3,475	2,027	5,502
Interest and other charges	-	(19,548)	(19,548)
Total nonoperating revenues (expenses)	<u>3,475</u>	<u>(17,521)</u>	<u>(14,046)</u>
Change in net position	33,330	(212,103)	(178,773)
Total net position - beginning	3,139,289	1,011,212	4,150,501
Total net position - ending	<u>\$ 3,172,619</u>	<u>\$ 799,109</u>	<u>\$ 3,971,728</u>

Town of Haw River
Statement of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

Statement 10

	Water	Sewer	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,129,748	\$ 652,585	\$ 1,782,333
Cash paid for goods and services	(813,392)	(132,850)	(946,242)
Cash paid to or on behalf of employees for services	(278,688)	(716,505)	(995,192)
Customer deposits received	4,933	350	5,283
Customer deposits refunded	(338)	(338)	(676)
Other operating revenues	22,485	13,115	35,600
Net cash provided (used) by operating activities	<u>64,748</u>	<u>(183,642)</u>	<u>(118,894)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	-	(47,754)	(47,754)
Principal paid on direct placement installment purchase obligations	-	(22,263)	(22,263)
Principal paid on bond maturities	-	(14,000)	(14,000)
Interest paid on bond maturities	-	(19,579)	(19,579)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(103,596)</u>	<u>(103,596)</u>
Cash flows from investing activities			
Interest and dividends	3,476	2,025	5,501
Net cash provided (used) by investing activities	<u>3,476</u>	<u>2,025</u>	<u>5,501</u>
Net increase (decrease) in cash and cash equivalents	<u>68,224</u>	<u>(285,213)</u>	<u>(216,989)</u>
Balances - beginning	850,114	105,581	955,695
Balances - ending	<u>\$ 918,338</u>	<u>\$ (179,632)</u>	<u>\$ 738,706</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 29,854	\$ (194,581)	\$ (164,727)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	127,219	74,209	201,428
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable, net	(119,544)	(65,068)	(184,612)
(Increase) decrease in deferred outflows of resources - pensions	(2,133)	1,554	(579)
Increase (decrease) in accounts payable and accrued liabilities	(7,883)	(5,473)	(13,356)
Increase (decrease) in customer deposits	4,595	12	4,607
Increase (decrease) in accrued vacation payable	(1,513)	(1,973)	(3,486)
Increase (decrease) in pension liability	13,013	5,061	18,074
Increase (decrease) in OPEB liability	24,068	4,623	28,691
Increase (decrease) in deferred inflows of resources - pensions	(815)	(537)	(1,352)
Increase (decrease) in deferred inflows of resources - OPEB	(2,114)	(1,468)	(3,582)
Total adjustments	<u>34,893</u>	<u>10,940</u>	<u>45,833</u>
Net cash provided (used) by operating activities	<u>\$ 64,748</u>	<u>\$ (183,642)</u>	<u>\$ (118,894)</u>



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

Independent Auditor's Report

To the Town Council
Town of Haw River
Haw River, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haw River as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Haw River's basic financial statements, and have issued our report thereon dated March 11, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

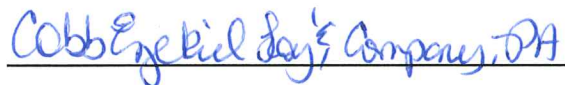
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cobb Engelke & Company, PA". The signature is written in a cursive, flowing style. Below the signature is a horizontal line.

Certified Public Accountants

Graham, North Carolina

March 11, 2021



Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In accordance with the Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Town Council
Town of Haw River
Haw River, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Haw River, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on the Town of Haw River's major state program for the year ended June 30, 2020. The Town of Haw River's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Haw River's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Haw River's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Haw River's compliance.

MEMBER OF:
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • AICPA PRIVATE COMPANIES PRACTICE SECTION • NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Opinion on Each Major State Program

In our opinion, the Town of Haw River complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

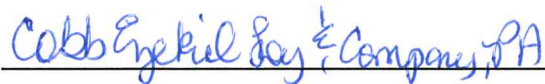
Report on Internal Control Over Compliance

Management of the Town of Haw River is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Haw River's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Graham, North Carolina

March 11, 2021

**Town of Haw River
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Noncompliance material to financial statements noted ☐ yes ☒ no

State Awards

Internal control over major state programs:

- Material weakness(es) identified ☐ yes ☒ no
- Significant Deficiency(s) identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? ☐ yes ☒ no

Identification of major state programs:

State Program

NC Department of Commerce – Granite Mills Rehabilitation Project

**Town of Haw River
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II. Financial Statement Findings

None

Section III. State Award Findings and Questioned Costs

None



**Corrective Action Plan
For the Year Ended June 30, 2020**

Section II. Financial Statement Findings

None

Section III. State Award Findings and Questioned Costs

None

**Town of Haw River
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

Finding: 2019-01

Status: Duties are being separated as much as possible and alternative controls have been implemented to compensate for this lack of separation. The governing board remains involved in providing some of these controls by continuing to authorize transactions and by monitoring the duties of the Finance Officer on a regular and timely basis.

Finding: 2019-02

Status: The town has been more attentive to budget line items and has approved budget amendments in a more timely manner.

Finding: 2019-03

Status: The town has hired more staff to assist with financial issues including reconciliations and having appropriate backup and complete records.

Finding: 2019-04

Status: The town has corrected this issue and no additional funds were wired to the developer until proper eligibility was determined and backup for all expenditures was received and approved.

Finding: 2018-01

Status: Duties are being separated as much as possible and alternative controls have been implemented to compensate for this lack of separation. The governing board remains involved in providing some of these controls by continuing to authorize transactions and by monitoring the duties of the Executive Director on a regular and timely basis.

Finding: 2018-02

Status: The town has been more attentive to budget line items and has approved budget amendments in a more timely manner. However, the current year also had over budget issues as noted above.

Finding: 2018-03

Status: The town has hired more staff to assist with financial issues. However, issues remain regarding the timely producing of backup information and account balance workpapers to the auditors.

Finding: 2017-01

Status: Duties are being separated as much as possible and alternative controls have been implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding: 2016-01

Status: Duties are being separated as much as possible and alternative controls have been implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Town of Haw River, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Federal Awards:				
<u>U.S. Department of Justice</u>				
Passed through the N.C. Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant	16.738	PROJ012793	\$ 24,500	\$ -
	16.738	PROJ012413	953	-
Federal Equitable Sharing Funds	16.922	NA	12,188	-
	16.922	NA	2,757	-
Bulletproof Vest Partnership Program	16.607	Unknown	3,000	-
Total assistance - federal programs			43,398	-
State Awards:				
<u>N.C. Department of Commerce</u>				
Passed through the NC General Assembly				
Granite Mills Rehabilitation Project		Unknown	-	1,872,131
<u>N.C. Department of Transportation:</u>				
Powell Bill		38570	-	17,212
Governor's Highway Safety Program - Community Grant		M3DA-19-14-06	-	6,378
Total assistance - state programs			-	1,895,721
Total assistance			\$ 43,398	\$ 1,895,721

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Haw River under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Haw River, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Haw River.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Haw River has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.