



TOWN OF KENANSVILLE
Kenansville, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2020

TOWN OF KENANSVILLE

Kenansville, North Carolina

TOWN COUNCIL
BOARD OF COMMISSIONERS

John Dail Garner, Mayor
Milta King, Mayor Pro Term
Jonathan Guy, Commissioner
Eddie Hobbs, Commissioner
Bret Brown, Commissioner
Kirk Bell, Commissioner

ADMINISTRATIVE OFFICERS

Town Manager
Chris Roberson

Town Clerk
Annette Dunn

Finance Officer
Anna West

Town of Kenansville, North Carolina
Table of Contents
June 30, 2020

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section:	
	Independent Auditor's Report	1 - 3
	Management's Discussion and Analysis	4 - 10
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	16
6	Statement of Fund Net Position - Proprietary Funds	17
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	18
8	Statement of Cash Flows - Proprietary Funds	19 - 20
	Notes to the Financial Statements	21- 43

Required Supplemental Financial Data:

Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System	44
Schedule of Contributions – Local Government Employees' Retirement System	45
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	46
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	47
Schedule of Changes in the Total OPEB Liability and Related Ratios	48

Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	49 - 52
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: Water and Sewer Fund	53-54

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	55
Analysis of Current Year Tax Levy - Town - Wide Levy	56

Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57 - 58
Schedule of Findings and Responses	59 - 60
Corrective Action Plan	61

FINANCIAL SECTION



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Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Kenansville ABC Board were not audited in accordance with *Government Auditing Standards*.

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of the Town of Kenansville's internal control over financial reporting and on 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 on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kenansville's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

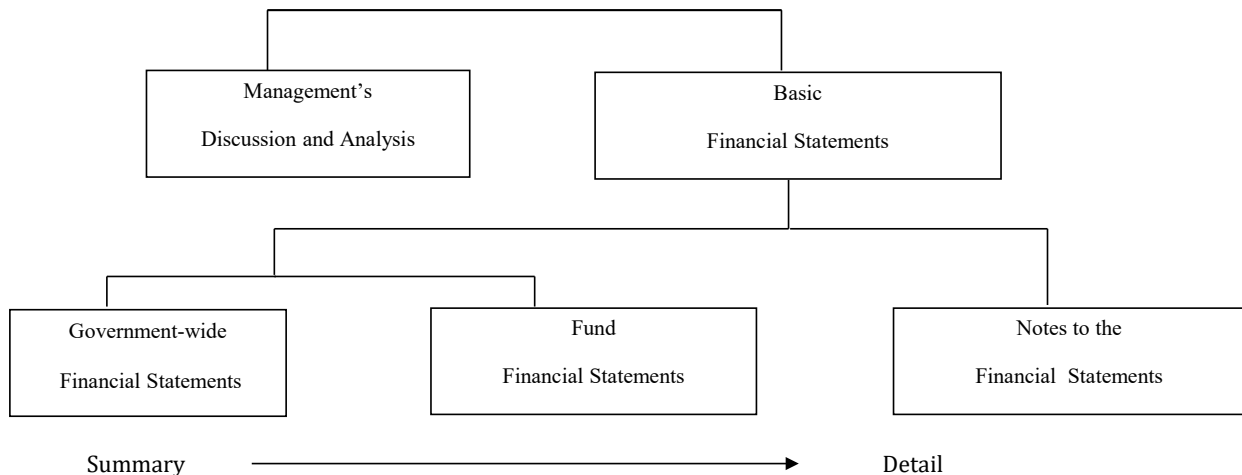
- The assets and deferred outflows of resources of the Town of Kenansville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,500,636 (net position).
- The government's total net position increased by \$152,330, due entirely to increase in the governmental-type and business-type activities net position.
- As of the close of the current fiscal year, the Town of Kenansville's governmental fund reported an ending fund balance of \$802,069 with a net increase of \$134,610 in fund balance. Approximately, 31.98% of this total amount, or \$256,504 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$545,565 or 56.21% of total general fund expenditures for the fiscal year.
- The Town of Kenansville's total debt decreased by \$24,831 during the current fiscal year due to regularly scheduled principal payments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kenansville, 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 Kenansville can be divided into two categories: governmental funds and proprietary fund.

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

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

Proprietary Fund - Town of Kenansville 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. Town of Kenansville uses enterprise funds to account for its water and sewer fund activity. 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 follow Exhibit 8 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 Kenansville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes to the Financial Statements.

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

Government-Wide Financial Analysis

**Town of Kenansville's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 908,495	\$ 768,242	\$ 1,889,058	\$ 1,783,513	\$ 2,797,553	\$ 2,551,755
Capital assets	1,344,488	1,276,333	1,983,424	2,080,685	3,327,912	3,357,018
Deferred outflows of resources	88,639	83,365	51,782	50,496	140,421	133,861
Total assets	2,341,622	2,127,940	3,924,264	3,914,694	6,265,886	6,042,634
Long-term liabilities outstanding	697,985	799,664	477,721	615,470	1,175,706	1,415,134
Other liabilities	64,727	43,533	32,787	68,215	97,514	111,748
Deferred inflows of resources	268,259	93,230	223,771	74,216	492,030	167,446
Total liabilities	1,030,971	936,427	734,279	757,901	1,765,250	1,694,328
Net position:						
Net investment in capital assets	1,257,905	1,257,858	1,975,659	2,057,389	3,233,564	3,315,247
Restricted	256,504	242,272	119,056	119,056	375,560	361,328
Unrestricted	(203,758)	(308,617)	1,095,270	980,348	891,512	671,731
Total net position	\$ 1,310,651	\$ 1,191,513	\$ 3,189,985	\$ 3,156,793	\$ 4,500,636	\$ 4,348,306

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Kenansville exceeded liabilities and deferred inflows by \$4,500,636 as of June 30, 2020. The Town's net position increased by \$152,330 for the fiscal year ended June 30, 2020. However, the Town's largest portion, \$3,233,564 (71.85%), reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Town of Kenansville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Kenansville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Kenansville's net position of \$375,560 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$891,512 is unrestricted.

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

- Increased sales tax revenues.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.17%.

Town of Kenansville's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for services	\$ 207,047	\$ 108,188	\$ 709,567	\$ 677,507	\$ 916,614	\$ 785,695
Operating grants and contributions	32,047	33,283	-	-	32,047	33,283
General revenues:						
Property taxes	381,505	367,012	-	-	381,505	367,012
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	363,797	345,794	-	-	363,797	345,794
Other	122,502	42,641	8,858	51,588	131,360	94,229
Total revenues	1,106,898	896,918	718,425	729,095	1,825,323	1,626,013
Expenses:						
General government	280,923	209,033	-	-	280,923	209,033
Public safety	396,850	368,748	-	-	396,850	368,748
Transportation	166,332	142,476	-	-	166,332	142,476
Environmental protections	71,262	79,089	-	-	71,262	79,089
Cultural and recreation	72,304	66,856	-	-	72,304	66,856
Interest on long-term debt	89	-	-	-	89	-
Water and sewer	-	-	685,233	686,578	685,233	686,578
Total expenses	987,760	866,202	685,233	686,578	1,672,993	1,552,780
Increase (decrease) in net position before transfers	119,138	30,716	33,192	42,517	152,330	73,233
Increase (decrease) in net position	119,138	30,716	33,192	42,517	152,330	73,233
Net position, beginning	1,191,513	1,160,797	3,156,793	3,114,276	4,348,306	4,275,073
Net position-ending	\$ 1,310,651	\$ 1,191,513	\$ 3,189,985	\$ 3,156,793	\$ 4,500,636	\$ 4,348,306

Governmental activities: Governmental activities increased the Town's net position by \$119,138 hereby accounting for 78.21% increase in the net position of the Town of Kenansville. Key element of this increase are as follows:

- Increase in revenues.

Business-type activities: Business-type activities increased the Town's net position by \$33,192, accounting for 21.79% of the total increase in the government's net position. Key elements of this decrease are as follows:

- Decrease in expenses.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Kenansville'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 Kenansville's financing requirements.

The general fund is the chief operating fund of the Town of Kenansville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$545,565 while total fund balance reached \$802,069. The Governing Body of Town of Kenansville has determined that the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 56.21% of general fund expenditures, while total fund balance represents 82.63% of the same amount.

At June 30, 2020, the governmental funds of Town of Kenansville reported a combined fund balance of \$802,069, with a net increase in fund balance of \$134,610.

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.

Proprietary Fund. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,095,270. The total increase in net position was \$33,192. The change in net position in the Water and Sewer Fund is a result of increase water expenses.

Capital Asset and Debt Administration

Capital assets. The Town of Kenansville's net investment in capital assets for its governmental and business type activities as of June 30, 2020, totals \$3,327,912 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Purchase of vehicle and equipment \$147,421.
- Purchase of equipment for water and sewer \$35,780.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 41,125	\$ 41,125	\$ 6,500	\$ 6,500	\$ 47,625	\$ 47,625
Construction in progress	-	-	78,480	78,480	78,480	78,480
Buildings and other systems	396,965	396,874	1,762,566	1,849,619	2,159,531	2,246,493
Improvements other than buildings	607,167	616,154		-	607,167	616,154
Equipment	189,733	159,865	94,519	94,865	284,252	254,730
Vehicles and equipment	108,269	60,684	37,329	48,550		
Computer software	-	112	4,030	2,671	4,030	2,783
Computer equipment	1,229	1,519	-	-	1,229	1,519
Total	\$ 1,344,488	\$ 1,276,333	\$ 1,983,424	\$ 2,080,685	\$ 3,327,912	\$ 3,357,018

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

Long-term Debt. As of June 30, 2020 the Town of Kenansville had total debt outstanding of \$91,255. The legal debt margin of the Town is \$6,296,157.

Additional information regarding the Town of Kenansville's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

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

- The Town of Kenansville is the county seat of Duplin County, offering jobs in local and state agencies. The Town is also home to Vidant Duplin Hospital, one K-8 school, and James Sprunt Community College.
- Occupancy rates on office and retail space. The Town host high occupancy rates throughout the fiscal year.
- More growth is expected with more businesses coming to Town which will in turn add to the tax base.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: the Town's property tax rate will remain at \$0.47 per \$100. Property tax and revenues form local sales tax and franchise taxes are expectd to remain relatively level.

Budgeted expenditures in the General Fund decreased approximately 24% in comparison to the prior year budget. This decrease is mainly due to decreased expenditures in the police department and streets for operating expenditures and debt service.

Business-type Activities: the Water and Sewer rates will remain the same for customers. Expenditures increased approximately 0.03% primarily due to increased operating expenditures.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Question concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Kenansville, PO Box 370, 141 Routledge Road, Kenansville, NC. 28349. You can also call 910-447-4737 or send an email to manager@kenansville.org.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Kenansville ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 580,142	\$ 1,588,638	\$ 2,168,780	\$ 97,773
Restricted cash and cash equivalents	164,628	147,750	312,378	-
Accounts receivable (net)	63,607	152,670	216,277	-
Tax receivable (net)	51,330	-	51,330	-
Accrued interest receivable on taxes	20,519	-	20,519	-
Prepaid expenses	-	-	-	2,475
Inventories	-	-	-	61,816
Due from other funds	28,269	-	28,269	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	41,125	84,980	126,105	3,357
Other capital assets, net of depreciation	1,303,363	1,898,444	3,201,807	27,400
Total capital assets	1,344,488	1,983,424	3,327,912	30,757
Total assets	2,252,983	3,872,482	6,125,465	192,821
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	87,771	51,042	138,813	10,022
OPEB deferrals	868	740	1,608	-
Total deferred outflows of resources	88,639	51,782	140,421	10,022
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	32,239	21,736	53,975	102,179
Unearned revenue	-	566	566	-
Current portion of long-term liabilities	32,354	7,765	40,119	-
Compensated absences payable	134	2,720	2,854	-
Long-term liabilities:				
Liabilities payable from restricted assets:				
Deposits	-	28,694	28,694	-
Compensated absences payable	16,427	10,882	27,309	-
Net pension liability	91,726	78,137	169,863	16,112
Total pension liability	112,985	-	112,985	-
Total OPEB liability	422,618	360,008	782,626	-
Due in more than one year	54,229	-	54,229	-
Total liabilities	762,712	510,508	1,273,220	118,291
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	2,338	-	2,338	-
Pension deferrals	5,480	1,914	7,394	1,037
OPEB deferrals	260,441	221,857	482,298	-
Total deferred outflows of resources	268,259	223,771	492,030	1,037
NET POSITION				
Net investment in capital assets	1,257,905	1,975,659	3,233,564	30,757
Restricted for:				
State Stabilization	91,876	-	91,876	-
Transportation	161,775	-	161,775	-
Recreation	2,853	-	2,853	-
WW Treatment Plant Expansion	-	119,056	119,056	-
Other functions	-	-	-	52,758
Unrestricted	(203,758)	1,095,270	891,512	-
Total net position	\$ 1,310,651	\$ 3,189,985	\$ 4,500,636	\$ 83,515

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

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

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Unit	
					Governmental Activities	Business-type Activities	Kenansville ABC Board	
Primary government:								
Governmental Activities:								
General government	\$ 280,923	\$ 126,487	\$ -	\$ -	\$ (154,436)	\$ -	\$ (154,436)	
Public safety	396,850	-	-	-	(396,850)	-	(396,850)	
Transportation	166,332	-	32,047	-	(134,285)	-	(134,285)	
Environmental protection	71,262	80,260	-	-	8,998	-	8,998	
Cultural and recreational	72,304	300	-	-	(72,004)	-	(72,004)	
Interest on long-term debt	89	-	-	-	(89)	-	(89)	
Total governmental activities	<u>987,760</u>	<u>207,047</u>	<u>32,047</u>	<u>-</u>	<u>(748,666)</u>	<u>-</u>	<u>(748,666)</u>	
Business-type activities:								
Water & Sewer Fund	<u>685,233</u>	<u>709,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,334</u>	<u>24,334</u>	
Total business-type activities	<u>685,233</u>	<u>709,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,334</u>	<u>24,334</u>	
Total primary government	<u>\$ 1,672,993</u>	<u>\$ 916,614</u>	<u>\$ 32,047</u>	<u>\$ -</u>	<u>\$ (748,666)</u>	<u>\$ 24,334</u>	<u>\$ (724,332)</u>	
Component units:								
Kenansville ABC Board	<u>642,853</u>	<u>642,823</u>	<u>-</u>	<u>-</u>				(30)
Total component units	<u>\$ 642,853</u>	<u>\$ 642,823</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (30)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					381,505	-	381,505	-
Local option sales tax					228,110	-	228,110	-
Other taxes and licenses					135,687	-	135,687	-
Investment earnings, unrestricted					1,678	8,369	10,047	31
Miscellaneous, unrestricted					120,824	489	121,313	-
Total general revenues, special items, and transfers					<u>867,804</u>	<u>8,858</u>	<u>876,662</u>	<u>31</u>
Change in net position					119,138	33,192	152,330	1
Net position, beginning					<u>1,191,513</u>	<u>3,156,793</u>	<u>4,348,306</u>	<u>83,514</u>
Net position, ending					<u>\$ 1,310,651</u>	<u>\$ 3,189,985</u>	<u>\$ 4,500,636</u>	<u>\$ 83,515</u>

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

Town of Kenansville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 580,142	\$ 580,142
Restricted cash	164,628	164,628
Receivables, net:		
Taxes	51,330	51,330
Accounts	63,607	63,607
Due from other funds	28,269	28,269
Total assets	<u>887,976</u>	<u>887,976</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	32,239	32,239
Due to other funds	-	-
Total liabilities	<u>32,239</u>	<u>32,239</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	51,330	
Prepaid taxes	2,338	2,338
Total deferred inflows of resources	<u>53,668</u>	<u>53,668</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	91,876	91,876
Streets - Powell Bill	161,775	161,775
Recreation	2,853	2,853
Unassigned	545,565	545,565
Total fund balances	<u>802,069</u>	<u>802,069</u>
Total Liabilities, deferred inflows of resources and fund balances \$	<u>887,976</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,344,488
Liabilities for Earned revenues but considered deferred inflows in fund statements.		51,330
Deferred outflows of resources related to pensions are not reported in the funds.		87,771
Deferred outflows of resources related to OPEB are not reported in the funds		868
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.		20,519
Deferred inflows of resources related to pensions are not reported in the funds		(5,480)
Deferred inflows of resources related to OPEB are not reported in the funds		(260,441)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		(103,144)
Total pension liability		(112,985)
Total OPEB liability		(422,618)
Net pension liability		<u>(91,726)</u>
Net position of governmental activities		<u>\$ 1,310,651</u>

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

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

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 379,864	\$ 379,864
Other taxes and licenses	-	-
Unrestricted intergovernmental	363,797	363,797
Restricted intergovernmental	32,674	32,674
Permits and fees	2,789	2,789
Sales and services	82,683	82,683
Investment earnings	1,678	1,678
Miscellaneous	241,772	241,772
Total revenues	<u>1,105,257</u>	<u>1,105,257</u>
EXPENDITURES		
Current:		
General government	202,665	202,665
Public safety	409,751	409,751
Transportation	225,783	225,783
Environmental protection	71,262	71,262
Culture and recreation	50,216	50,216
Debt principal	10,743	10,743
Debt interest	227	227
Total expenditures	<u>970,647</u>	<u>970,647</u>
Excess (deficiency) of revenues over expenditures	<u>134,610</u>	<u>134,610</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	-	-
Proceeds from installment purchase	-	-
Transfers to other funds	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>
Net change in fund balance	134,610	134,610
Fund balances-beginning	667,459	667,459
Fund balances-ending	<u>\$ 802,069</u>	<u>\$ 802,069</u>

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

Town of Kenansville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 134,610
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	147,421
Depreciation expense for governmental assets	<u>(79,266)</u>
	68,155
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	40,242
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	2,355
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	(1,642)
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	550
OPEB plan expense	(22,454)
Pension expense	(113,421)
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 principal payments on long-term debt and related items.	<u>10,743</u>
Total changes in net position of governmental activities	<u><u>\$ 119,138</u></u>

Town of Kenansville, North Carolina
General Fund and Annually Budgeted Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 381,275	\$ 383,375	\$ 379,864	\$ (3,511)
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	323,043	323,043	363,797	40,754
Restricted intergovernmental	33,162	33,162	32,674	(488)
Permits and fees	2,440	2,440	2,789	349
Sales and services	86,944	86,944	82,683	(4,261)
Investment earnings	542	542	1,678	1,136
Miscellaneous	210,901	235,723	241,772	6,049
Total revenues	<u>1,038,307</u>	<u>1,065,229</u>	<u>1,105,257</u>	<u>40,028</u>
Expenditures				
Current:				
General government	231,341	228,256	202,665	25,591
Public safety	403,264	427,285	409,751	17,534
Transportation	210,746	272,583	225,783	46,800
Environmental protection	86,662	86,662	71,262	15,400
Culture and recreation	76,757	91,757	50,216	41,541
Debt principal	-	10,893	10,743	150
Debt interest	-	256	227	29
Contingency	29,537	29,537	-	29,537
Total expenditures	<u>1,038,307</u>	<u>1,147,229</u>	<u>970,647</u>	<u>176,582</u>
Revenues over (under) expenditures	-	(82,000)	134,610	216,610
Other financing sources (uses):				
Proceeds from installment purchase	-	-	-	-
Transfers (to)/from	-	-	-	-
Fund Balance Appropriated	-	82,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>82,000</u>	<u>-</u>	<u>(82,000)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	134,610	\$ <u>134,610</u>
Fund balances:				
Beginning of year, July 1			667,459	
End of year, June 30			<u>\$ 802,069</u>	

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

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

	Water Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,588,638
Accounts Receivable (net)	152,670
Due from other funds	-
Restricted cash and cash equivalents	147,750
Total current assets	<u>1,889,058</u>
Noncurrent assets:	
Capital assets (net)	<u>1,983,424</u>
Total assets	<u>3,872,482</u>
Deferred Outflows of Resources	
Pension deferrals	51,042
OPEB deferrals	740
Total deferred outflows of resources	<u>51,782</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 21,736
Unearned revenue	566
Current portion of long-term liabilities	7,765
Compensated absences payable	2,720
Total current liabilities	<u>32,787</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Deposits	28,694
Net pension liability	78,137
Total OPEB liability	360,008
Compensated absences payable	10,882
Total noncurrent liabilities	<u>477,721</u>
Total liabilities	<u>510,508</u>
Deferred Inflows of Resources	
Pension deferrals	1,914
OPEB deferrals	221,857
Total deferred inflows of resources	<u>223,771</u>
Net Position	
Net investment in capital assets	1,975,659
Restricted - Waste Water Treatment Plant	119,056
Unrestricted	1,095,270
Total net position	<u>\$ 3,189,985</u>

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

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 696,794
Water & Sewer taps	-
Other operating revenues	<u>12,773</u>
Total operating revenues	<u>709,567</u>
Operating expenses:	
Wastewater Administration	265,983
Water treatment and distribution	285,823
Depreciation	<u>133,041</u>
Total operating expenses	<u>684,847</u>
Operating income (loss)	<u>24,720</u>
Nonoperating revenues (expenses):	
Investment earnings	8,369
Interest and other charges	(386)
Insurance proceeds	-
Miscellaneous revenue	<u>489</u>
Total nonoperating revenues (expenses)	<u>8,472</u>
Net Income before transfers and capital contributions	<u>33,192</u>
Change in net position	33,192
Net Position - Beginning	<u>3,156,793</u>
Total net position, Ending	<u><u>\$ 3,189,985</u></u>

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

Town of Kenansville, North Carolina
Proprietary Funds
Statement of Cash Flows
For The Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>	<u>Totals June 30, 2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 650,724	\$ 650,724
Cash paid for goods and services	(296,459)	(296,459)
Cash paid to employees for services	(264,724)	(264,724)
Customer deposits received (net)	-	-
Net cash provided/(used) by operating activities	<u>89,541</u>	<u>89,541</u>
Cash flows from noncapital financing activities:		
Feme proceeds	<u>489</u>	<u>489</u>
Net cash provided/(used) by noncapital financing activities	<u>489</u>	<u>489</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds and leases	(15,531)	(15,531)
Interest and fees paid on bonds and leases	(386)	(386)
Acquisition and construction of capital assets	(35,780)	(35,780)
Net cash provided/(used) by capital and related financing activities	<u>(51,697)</u>	<u>(51,697)</u>
Cash flows from investing activities:		
Interest on investments	<u>8,369</u>	<u>8,369</u>
Net increase(decrease) in cash and cash equivalents	46,702	46,702
Cash and cash equivalents:		
Beginning of year, July 1	1,689,686	1,689,686
End of year, June 30	<u>\$ 1,736,388</u>	<u>\$ 1,736,388</u>

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

Town of Kenansville, North Carolina
Proprietary Fund
Statement of Cash Flows
For The Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>	<u>Totals June 30, 2020</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income/(loss)	\$ <u>24,720</u>	\$ <u>24,720</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	133,041	133,041
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(58,843)	(58,843)
(Increase) decrease in deferred outflows of resources for pensions and OPEB	(1,286)	(1,286)
Increase (decrease) in accounts payable and accrued liabilities	(209)	(209)
Increase (decrease) in unearned revenues	(570)	
Increase (decrease) in net pension liability	18,226	18,226
Increase (decrease) in deferred inflows of resources for pensions and OPEB	149,555	149,555
Increase (decrease) in compensated absences	(4,656)	(4,656)
Increase (decrease) in OPEB	(173,147)	(173,147)
Increase(decrease) in deposits	<u>2,710</u>	<u>2,710</u>
Total adjustments	<u>64,821</u>	<u>64,821</u>
Net cash provided/(used) by operating activities	\$ <u><u>89,541</u></u>	\$ <u><u>89,541</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Kenansville, 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 Kenansville, NC and its discretely presented component unit 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 Kenansville (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member board. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Kenansville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Kenansville ABC Board, P.O. Box 488, Kenansville, North Carolina 28349.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements 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 funds:

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

The Town reports the following major enterprise funds:

Water Fund and Sewer Fund. These two separate funds are used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim 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 and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 169-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. 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.

5. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first in, first out), which approximates market.

The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than when purchased.

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost for the Town's assets is \$5,000. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimate historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	30
Buildings	50
Vehicles	6
Furniture and equipment	7
Computer software	5
Computer equipment	3-5

Property, plant, and equipment of the ABC Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	30 years
Store equipment	5-20 years
Office equipment	10 years
Leasehold improvements	10 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meets this criterion, pension deferrals for 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 only two items that meet the criterion for this category - property taxes receivable and pension deferrals for the 2020 fiscal year.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days per earned vacation leave with such leave being fully vested when earned. For the Town's government wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds 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 is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Restricted Assets

The Town adopted enabling legislation on October 1, 1990 related to sewer impact fees charges to commercial and institutional customers. The fees collected for this purpose can only be used for Waste Water Treatment Plant expansion. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. The Town had unspent donated funds of \$2,853 that can only be spent for recreation purposes. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Kenansville Restricted Cash

Governmental Activities:

General Fund	Streets	\$ 161,775
	Recreation	<u>2,853</u>
Total governmental activities		<u>\$ 164,628</u>

Business-Type Activities:

Water and Sewer Fund	Customer deposits	\$ 28,694
	Wastewater Treatment Expansion	<u>119,056</u>
Total Business-Type Activities		<u>\$ 147,750</u>
Total Restricted Cash		<u>\$ 312,378</u>

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction, maintenance expenditures, and municipal vehicle tax collections that are restricted for maintaining, repairing, constructing, widening, or improving public streets in the Town that do not form part of the State highway system. This amount represents the balance of total unexpended Powell Bill funds and municipal vehicle tax collections.

Restricted for Recreation - portion of fund balance that is restricted by revenue source for recreation.

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 Kenansville's governing board (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town of Kenansville 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.

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town 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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,479,346 and a bank balance of \$2,486,853. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The ABC Board's deposits had a carrying amount of \$96,973 and a bank balance of \$95,861. At June 30, 2020, the ABC Board's petty cash fund totaled \$800. All of the bank balances of the ABC Board were fully covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$100.

2. Investments

At June 30, 2020, the Town of Kenansville had \$1,712 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 41,125	\$ -	\$ -	\$ 41,125
Construction in progress	-	-	-	-
Total capital assets not being depreciated	41,125	-	-	41,125
Capital assets being depreciated:				
Buildings	563,620	12,509	-	576,129
Other improvements	759,252	9,153	-	768,405
Equipment	636,489	59,879	-	696,368
Vehicles & motorized equipment	178,782	65,880	-	244,662
Computer software	23,828	-	-	23,828
Computer equipment	11,518	-	-	11,518
Total capital assets being depreciated	2,173,489	147,421	-	2,320,910
Less accumulated depreciation for:				
Buildings	166,746	12,418	-	179,164
Other improvements	143,098	18,140	-	161,238
Equipment	476,624	30,011	-	506,635
Vehicles and motorized equipment	118,098	18,295	-	136,393
Computer software	23,716	112	-	23,828
Computer equipment	9,999	290	-	10,289
Total accumulated depreciation	938,281	\$ 79,266	\$ -	1,017,547
Total capital assets being depreciated, net	1,235,208			1,303,363
Governmental activity capital assets, net	\$ 1,276,333			\$ 1,344,488

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

General government	\$ 4,817
Public safety	22,319
Transportation	17,529
Cultural and recreational	34,601
Total depreciation expense	<u>\$ 79,266</u>

Business-Type Activities:**Water and Sewer Fund****Capital assets not being depreciated:**

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Construction in progress	78,480	-	-	78,480
Total capital assets not being depreciated	84,980	-	-	84,980

Capital assets being depreciated:

Plant and distribution systems	5,152,711	15,983	-	5,168,694
Computer equipment	6,977	2,000	-	8,977
Furniture, equipment & maintenance	391,675	17,797	-	409,472
Vehicles	93,166	-	-	93,166
Total capital assets being depreciated	5,644,529	35,780	-	5,680,309

Less accumulated depreciation for:

Plant and distribution systems	3,303,092	103,036	-	3,406,128
Computer equipment	4,306	641	-	4,947
Furniture, equipment & maintenance	296,810	18,143	-	314,953
Vehicles	44,616	11,221	-	55,837
Total accumulated depreciation	3,648,825	\$ 133,041	\$ -	3,781,865

Total capital assets being depreciated, net

Water Fund capital assets, net

	1,995,704			1,898,444
	<u>\$ 2,080,684</u>			<u>\$ 1,983,424</u>

Discretely Presented Component Unit:

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3,357	\$ -	\$ -	\$ 3,357
Construction in progress	-	-	-	-
Total capital assets not being depreciated	3,357	-	-	3,357

Capital assets being depreciated:

Buildings	60,181	-	-	60,181
Store equipment	21,477	-	-	21,477
Office equipment	927	-	-	927
Improvements	11,441	-	-	11,441
Total capital assets being depreciated	94,026	-	-	94,026

Less accumulated depreciation for:

Buildings	42,455	840	-	43,295
Store equipment	7,440	3,663	-	11,103
Office equipment	728	58	-	786
Improvements	11,442	-	-	11,442
Total accumulated depreciation	62,065	\$ 4,561	\$ -	66,626

Total capital assets being depreciated, net

ABC capital assets, net

	31,961			27,400
	<u>\$ 35,318</u>			<u>\$ 30,757</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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's contractually required contribution rate for the year ended June 30, 2020, was 8.50% of compensation for law enforcement officers and 7.82% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$40,242 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 \$169,863 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00622%, which was an increase of 0.00089% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$75,471. 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	\$ 29,085	\$ -
Changes of assumptions	27,685	-
Net difference between projected and actual earnings on pension plan investments	4,144	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	9,804	4,161
Town's contributions subsequent to the measurement date	40,242	-
Total	<u>\$ 110,960</u>	<u>\$ 4,161</u>

\$40,242 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 30,138
2022	11,472
2023	18,044
2024	6,903
2025	-
Thereafter	-
	<u>\$ 66,557</u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 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%	

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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7 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 percent) or one percentage point higher (8 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)	\$388,509	\$169,863	(\$11,875)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Kenansville 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. The Town has made no contributions to this plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

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

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 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-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$0.00 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 \$112,985. 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 \$12,047.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$	22,578	\$	-
Changes of assumptions and other inputs		5,274		3,233
Benefit payments and administrative expenses subsequent to the measurement date		-		-
Total	\$	27,852	\$	3,233

\$0.00 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	
2021	5,081
2022	5,081
2023	5,080
2024	4,929
2025	4,431
Thereafter	17
	<u>\$ 24,619</u>

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	\$121,786	\$112,985	\$104,773

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

	2020
Beginning balance	\$ 80,530
Service Cost	3,725
Interest on the total pension liability	2,931
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	22,610
Changes of assumptions or other inputs	3,189
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 112,985</u>

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 75,471	\$ 12,047	\$ 87,518
Pension Liability	169,863	112,985	282,848
Proportionate share of the net pension liability	0.00622%	N/A	-
Deferred of Outflows of Resources			-
Differences between expected and actual experience	29,085	22,578	51,663
Changes of assumptions	27,686	5,274	32,960
Net difference between projected and actual earnings on plan investments	4,144	-	4,144
Changes in proportion and differences between contributions and proportionate share of contributions	9,804	-	9,804
Benefit payments and administrative costs paid subsequent to the measurement date	40,242	-	40,242
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	3,233	3,233
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,161	-	4,161

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 for all employees were \$27,475, which consisted of \$21,882 from the Town and \$5,593 from the employees and law enforcement officers. No amounts were forfeited.

d. Other Postemployment BenefitHealth Care Benefits

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

Benefits Provided. The plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays the cost of coverage as indicated below based on length of service. The Town pays the costs for these benefits through private insurers. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare supplemental plan after qualifying for Medicare. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates but the retiree must pay all cost of dependent coverage. The Town Board may amend the benefit provisions. A separate report was not issued for the plan. At the July 11, 2011 regular board meeting, the Board voted to rescind the resolution to provide retirees and elected officials with health insurance coverage. The employees that are presently employed with the Town will be eligible for this benefit, but all employees hired after July 11, 2011 will not be covered. A separate report was not issued for the plan.

Years of Creditable Service	Date Hired	
	Pre-July 11, 2011	On or after July 11, 2011
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 10 years	20% coverage paid for by Town	Not eligible for coverage
10 - 20 years	75% coverage paid for by Town	Not eligible for coverage
20+ years	Full coverage paid for by Town	Not eligible for coverage

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	-	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active Plan members	-	4
Total	-	6

Total OPEB Liability

The Town's total OPEB liability of \$782,626 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.89%
Measurement Date	3.50%
Health Care Cost Trend Rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00%
Vision	2.50%

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 1,165,327
Changes for the year:	
Service cost	38,251
Interest	45,109
Differences between expected and actual experience	(448,399)
Changes in assumption of other inputs	(6,131)
Benefit payments	(11,531)
Net changes	<u>(382,701)</u>
Balance at June 30, 2020	<u><u>\$ 782,626</u></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 Total Date Set for Healthy Annuitants Mortality Table.

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

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

	1 % Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$935,738	\$782,626	\$662,777

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	Current	1% Increase
Total OPEB liability	\$654,113	\$782,626	\$947,432

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 \$41,582. 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	\$ 1,608	\$ 350,677
Changes in assumptions	-	131,621
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 1,608</u>	<u>\$ 482,298</u>

\$0.00 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	(124,942)
2022	(124,942)
2023	(124,942)
2024	(82,172)
2025	(18,521)
Thereafter	(5,171)
Total	<u>(480,690)</u>

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 40,242
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	53,271
Changes of assumptions	32,960
Net difference between projected and actual earnings	4,144
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,804
Total	<u>\$ 140,421</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 2,338	\$ 2,338
Taxes receivable, less penalties (General Fund)	-	51,330
Change in assumptions	134,854	-
Differences between expected and actual experience	350,677	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,161	-
Total	<u>\$ 492,030</u>	<u>\$ 53,668</u>

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 two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance because it is not in a designated flood zone.

Town of Kenansville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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 for the ABC store.

5. Claims, Judgments, and Contingent Liabilities

No claims or judgments existed at June 30, 2020.

6. Long Term Obligations

a. Capital Leases

The Town has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on August 10, 2017 to lease police equipment and requires 5 payments of \$1,668.82. Title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2020:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 7,555	\$ 2,392	\$ 5,163

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Year Ending June 30</u>	
2021	\$ 1,669
2022	1,669
	<hr/>
	\$ 3,338
Less: amount representing interest	245
	<hr/>
Present value of the minimum lease payments	\$ 3,093

b. Installment Purchase

In November 2017, the Town entered into a direct placement contract with Southern Bank and Trust Company to finance vehicles for the police department and the water/sewer fund. The property is pledged as collateral for the debt while the debt is outstanding. the contract calls for 6 semi-annual principal payments of \$12,415 plus accrued interest, beginning on May 22, 2018 and continuing every six months thereafter, until paid in full. The interest rate is 1.99% per annum. The balance at June 30, 2020 is \$4,650.

In January 2020, the Town entered into a direct placement contract with First Bank to finance vehicles for the Public Safety and Transportation Departments. The financing contract requires principal payments beginning in the fiscal year 2021 with interest rates at 2.07%. The balance at June 30, 2020 is \$78,840.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$2,893 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 26,280	\$ 1,516
2022	26,280	964
2023	26,280	413
Total	<u>\$ 78,840</u>	<u>\$ 2,893</u>

Annual debt service payments of the direct placement installment purchase as June 30, 2020, including \$124 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 30,930	\$ 1,562	\$ 7,765	\$ 78
2022	\$ 26,280	\$ 964		
2023	\$ 26,280	\$ 413		
Total	<u>\$ 83,490</u>	<u>\$ 2,939</u>	<u>\$ 7,765</u>	<u>\$ 78</u>

e. Changes in Long-Term Liabilities

	Balance 1-Jul-19	Increases	Decreases	Balance 30-Jun-20	Current Portion
Governmental activities:					
Direct placement installment purchases	\$ 13,950	\$ 78,840	\$ (9,300)	\$ 83,490	\$ 30,930
Capitalized lease	4,525	-	(1,432)	3,093	1,424
Total OPEB Liability	632,171	-	(209,553)	422,618	-
Net pension liability (LGRS)	66,535	25,191	-	91,726	-
Total pension liability (LEO)	80,530	6,656	25,799	112,985	-
Compensated absences	17,111	-	(550)	16,561	134
Total	<u>\$ 814,822</u>	<u>\$ 110,687</u>	<u>\$ (195,036)</u>	<u>\$ 730,473</u>	<u>\$ 32,488</u>
Business-type activities:					
Direct placement installment purchases	\$ 23,296	\$ -	\$ (15,531)	\$ 7,765	\$ 7,765
Net pension liability (LGRS)	59,911	18,226	-	78,137	-
Total OPEB Liability	533,155	-	(173,147)	360,008	-
Compensated absences	18,258	-	(4,656)	13,602	2,720
Total	<u>\$ 634,620</u>	<u>\$ 18,226</u>	<u>\$ (193,334)</u>	<u>\$ 459,512</u>	<u>\$ 10,485</u>

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

At June 30, 2020, the Town of Kenansville had a legal debt margin of \$6,296,157.

f. Operating Leases

The Town executed a Metering as a Service Agreement contract with Metersys on March 12, 2018. The contract required the Town to pay \$49,663 on June 30, 2018 and nine more additional payments of \$49,663 due January 31 beginning in 2019 and ending January 31, 2027. The Town has recognized \$49,663 in rental expenses during the current fiscal year as a result of this agreement.

C. Interfund Balances and Activity

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations; including amounts provided as matching funds for various grant programs.

The Town did not make any interfund transfers this fiscal year.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 1,344,488	\$ 1,983,424
Less: long-term debt	86,583	7,765
Net investment in capital assets	<u>\$ 1,257,905</u>	<u>\$ 1,975,659</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 802,069
Less:	
Stabilization by State Statute	91,876
Streets - Powell Bill	161,775
Parks and recreation	2,853
Remaining Fund Balance	\$ 545,565

The Town of Kenansville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with nine counties and forty seven other municipalities established the Eastern Carolina Council ("Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$290 to the Council during the fiscal year ended June 30, 2020.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement
System

Schedule of Contributions – Local Government
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of
Covered Payroll - Law Enforcement Officers' Special
Separation Allowance

Schedule of Changes in the Total OPEB Liability and
Related Ratios

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset) (%)	0.00622%	0.00533%	0.62300%	0.005890%	0.00749%	0.00700%	0.00760%
Board's proportion of the net pension liability (asset) (\$)	\$ 169,863	\$ 126,446	\$ 95,177	\$ 125,006	\$ 33,615	\$ (41,164)	91,609
Board's covered-employee payroll	\$ 434,285	\$ 405,535	\$ 382,066	\$ 327,076	\$ 361,239	\$ 395,578	394,183
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.11%	31.18%	24.91%	38.22%	9.31%	(10.41%)	23.24%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Kenansville, North Carolina
Town of Kenansville's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 40,242	\$ 34,798	\$ 31,391	\$ 28,740	\$ 22,514	\$ 25,660	28,283
Contributions in relation to the contractually required contribution	40,242	34,798	31,391	28,740	22,514	25,660	28,283
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Town's covered-employee payroll	\$ 437,715	\$ 434,285	\$ 405,535	\$ 382,066	\$ 327,076	\$ 361,239	395,578
Contributions as a percentage of covered-employee payroll	9.19%	8.01%	7.74%	7.52%	6.88%	7.10%	7.14%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 80,530	\$ 73,730	\$ 62,586
Service Cost	3,725	3,529	2,783
Interest on the total pension liability	2,931	2,330	2,416
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	22,610	4,352	1,114
Changes of assumptions or other inputs	3,189	(3,411)	4,831
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 112,985</u>	<u>\$ 80,530</u>	<u>\$ 73,730</u>

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 112,985	\$ 80,530	\$ 73,730
Covered payroll	124,302	112,177	108,045
Total pension liability as a percentage of covered payroll	90.90%	71.79%	68.24%

Notes to the schedules:

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

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

	2020	2019	2018
Total OPEB Liability			
Service Cost	38,251	40,571	45,896
Interest	45,109	41,144	36,315
Changes of benefit items	-	-	-
Differences between expected and actual experience	(448,399)	2,184	(657)
Changes of assumptions	(6,131)	(69,781)	(124,894)
Benefit payments	(11,531)	(8,988)	(5,828)
Net change in total OPEB liability	(382,701)	5,130	(49,168)
Total OPEB liability - beginning	1,165,327	1,160,196	1,209,364
Total OPEB liability - ending	782,626	1,165,326	1,160,196
 Covered payroll	 437,715	 434,285	 382,066
Total OPEB liability as a percentage of covered payroll	178.80%	268.33%	303.66%

Notes to Schedule

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

Fiscal year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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

		<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes:				
Taxes	\$		\$ 373,460	\$
Penalties and interest			6,404	
Total		<u>383,375</u>	<u>379,864</u>	<u>(3,511)</u>
Unrestricted intergovernmental:				
ABC profit distribution			20,626	
Utility sales tax			81,055	
Local option sales taxes			228,110	
Piped natural gas tax sales tax			9,202	
Telecommunications tax			8,824	
Video programming			2,212	
Beer and wine tax			3,527	
Tax/ Other Refunds			10,241	
Total		<u>323,043</u>	<u>363,797</u>	<u>40,754</u>
Restricted intergovernmental:				
Federal and State grants			-	
Solid waste disposal tax			627	
Powell Bill allocation			32,047	
Total		<u>33,162</u>	<u>32,674</u>	<u>(488)</u>
Permits and fees:				
Zoning permit fees			1,390	
Police fees			1,399	
Total		<u>2,440</u>	<u>2,789</u>	<u>349</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Sanitation fees		79,633	
Park and recreation fees		300	
Rent		2,750	
Total	<u>86,944</u>	<u>82,683</u>	<u>(4,261)</u>
Investment earnings	<u>542</u>	<u>1,678</u>	<u>1,136</u>
Miscellaneous:			
Solar fields revenue		120,948	
Yard maintenance		1,950	
Lease Bostic Street Tower		7,338	
Loan proceeds		78,840	
Other		32,696	
Total	<u>235,723</u>	<u>241,772</u>	<u>6,049</u>
Total Revenues	<u>1,065,229</u>	<u>1,105,257</u>	<u>40,028</u>
Expenditures:			
General government:			
Administration:			
Salaries & benefits		110,438	
Town and planning board compensation		13,152	
Professional services		19,745	
Contracted services		22,613	
Operating expense		36,717	
Capital Outlay		-	
Total general government	<u>228,256</u>	<u>202,665</u>	<u>25,591</u>

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

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets:			
Salaries & benefits		72,858	
Vehicle maintenance		1,054	
Other operating expenses		36,385	
Street lights		26,764	
Contracted services		8,160	
Capital Outlay		80,562	
Total transportation	272,583	225,783	46,800
Public Safety:			
Police:			
Salaries & benefits			
Vehicle expenses		210,248	
Operating expenses		63,947	
Capital Outlay		51,556	
Total	343,285	325,751	17,534
Fire:			
Operating expense		56,411	
Capital Outlay		27,589	
Total	84,000	84,000	-
Total Public Safety	427,285	409,751	17,534
Environmental protection:			
Sanitation:			
Contracted services		69,436	
County landfill tipping fee		1,826	
Capital Outlay		-	
Total environmental protection	86,662	71,262	15,400

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

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Contracted services		-	
Operating expenditures		34,913	
Capital outlay		15,303	
Total culture and recreation	91,757	50,216	41,541
Debt service:			
Debt principal		10,743	
Debt interest		227	
Total debt service	11,149	10,970	179
Contingency	29,537	-	29,537
Total Expenditures	1,147,229	970,647	176,582
Revenues over (under) expenditures	(82,000)	134,610	216,610
Other financing sources (uses):			
Proceeds from installment purchase	-	-	
Transfers (to)/from other funds	-	-	
Transfers (to)/from other funds	-	-	
Fund Balance Appropriated	82,000	-	
Total	82,000	-	(82,000)
Net change in fund balance	\$ -	134,610	\$ 134,610
Fund balances:			
Beginning of year, July 1		667,459	
End of year, June 30		\$ 802,069	

ENTERPRISE FUNDS

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 697,283	
Water and sewer taps		-	
Other operating revenues		12,284	
Total	\$ 710,472	709,567	\$ (905)
Nonoperating revenues:			
Miscellaneous	500	489	(11)
Interest earnings	7,200	8,369	1,169
Total	7,700	8,858	1,158
Total Revenues	718,172	718,425	253
Expenditures:			
Wastewater			
Salaries and benefits		126,682	
Professional services		1,376	
Contracted services		26,933	
Utilities		30,481	
Supplies		6,953	
Vehicles		5,669	
Repairs and maintenance		30,874	
Insurance		8,698	
Water and sewer analysis		6,777	
Other		21,540	
Total wastewater	305,515	265,983	39,532
Water treatment and distribution			
Salaries and benefits		138,042	
Supplies		6,149	
Utilities		12,085	
Vehicles		2,661	
Repairs and maintenance		50,824	
Insurance		8,343	
Contracted services		3,408	
Professional		717	
Water analysis		3,720	
Lease payments		49,663	
Other operating expenditures		21,519	
Total water treatment	326,994	297,131	29,863

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

Debt service:			
Interest and fees		386	
Principal retirement		15,531	
Total debt service	<u>16,037</u>	<u>15,917</u>	<u>-</u>
Capital outlay:			
Sewer extensions and expansions		-	
Miscellaneous equipment		35,780	
Total capital outlay	<u>69,626</u>	<u>35,780</u>	<u>33,846</u>
Total expenditures	<u>718,172</u>	<u>614,811</u>	<u>103,361</u>
Revenues and other sources over (under)			
expenditures and other uses	\$ <u>-</u>	<u>103,614</u>	\$ <u>103,614</u>

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

Revenues over expenditures \$ 103,614

Reconciling items:

Capital outlay	35,780
Principal payments	15,531
Depreciation	(133,041)
Change in compensated absences	4,656
(Increase) decrease in net pension liability	(18,226)
Increase (decrease) in deferred outflows of resources for pensions and OPEB	1,286
(Increase) decrease in deferred inflows of resources for pensions and OPEB	(149,555)
(Increase) decrease in OPEB liability	173,147
Total reconciling items	<u>(70,422)</u>

Change in net position \$ 33,192

OTHER SCHEDULES

This section includes additional information on property taxes, transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2020	\$	\$ 373,701	\$ (363,119)	\$ 10,582
2019	10,457	-	(5,507)	4,950
2018	2,906	-	(1,191)	1,715
2017	1,199	-	(566)	633
2016	12,387	-	(916)	11,471
2015	9,475	-	(353)	9,122
2014	4,666	-	(305)	4,361
2013	3,325	-	-	3,325
2012	2,553	-	-	2,553
2011	2,637	-	(19)	2,618
2010	1,668	-	(1,668)	-
	<u>\$ 51,273</u>	<u>\$ 373,701</u>	<u>\$ (373,644)</u>	<u>\$ 51,330</u>
Ad valorem taxes receivable - net				<u>\$ 51,330</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 379,864
Reconciling items:				
Discounts, Releases, Refunds				184
Interest collected				<u>(6,404)</u>
Total collections and credits				<u>\$ 373,644</u>

Town of Kenansville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 79,784,255	0.470	\$ 374,986	\$ 341,936	\$ 33,050
Discoveries:					
Current year taxes	-	0.470	-	-	-
Abatements	(273,404)	0.470	(1,285)	(1,285)	-
Total property valuation	<u>\$ 79,510,851</u>				
Net levy			373,701	340,651	33,050
Uncollected taxes at June 30, 2020			<u>10,582</u>	<u>10,582</u>	<u>-</u>
Current year's taxes collected			<u>\$ 363,119</u>	<u>\$ 330,069</u>	<u>\$ 33,050</u>
Current levy collection percentage			<u>97.17%</u>	<u>96.89%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Kenansville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Kenansville's basic financial statements, and have issued our report thereon dated January 25, 2021. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Kenansville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Kenansville'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 Kenansville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency,

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, listed as 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kenansville'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*.

Town of Kenansville's Response to Findings

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

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 25, 2021

Section I.	Summary of Auditor's Results
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Type of auditor's report issued on whether the financial statements were prepared in accordance to GAAP: Unmodified.

[illegible]

59

Town of Kenansville, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2020 – 001 Segregation of Duties

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

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-1.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.



Town of Kenansville, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

Finding: 2020 – 001 Segregation of Duties

Name of contact person: Chris Roberson, Town Manager

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.