

**TOWN OF LIBERTY,  
NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**June 30, 2020**

Prepared by:

Finance Department

Kathy Bond  
Finance Officer

**TOWN OF LIBERTY, NORTH CAROLINA**

**COUNCIL MEMBERS**

Filmore York, Mayor

J.R. Beard

Don Herndon

Larry Coble

Tyson Nixon

Chris Compton

**OFFICIALS**

Will Doerfer

Town Manager

Kathy Bond

Finance Officer

William H. Flowe, Jr.

Attorney

# TOWN OF LIBERTY, NORTH CAROLINA

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## INDEPENDENT AUDITOR'S REPORT

The Mayor and the Town Council  
Town of Liberty  
Liberty, North Carolina

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Town of Liberty ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the Town of Liberty ABC Board, is based on the report of the other auditor. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Liberty 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, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### **Opinions**

In my opinion, based on my audit and the report of the other auditor, 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, each major fund, and the aggregate remaining fund information of the Town of Liberty, North Carolina, as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America..

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Liberty, North Carolina. The combining and individual nonmajor fund financial 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 nonmajor fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the

The Mayor and the Town Council  
Town of Liberty  
Liberty, North Carolina  
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audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me and the other auditor. In my opinion, based on my audit, the procedures performed as described above, and the report of the other auditor, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated February 25, 2021, on my consideration of the Town of Liberty's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Liberty's internal control over financial reporting and compliance.

February 25, 2021

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC  
Asheboro, North Carolina

## Management's Discussion and Analysis

As management of the Town of Liberty, we offer readers of the Town of Liberty's financial statements this narrative overview and analysis of the financial activities of the Town of Liberty 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 Liberty *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,590,669 (*net position*).
- The government's total net position decreased by \$51,520 primarily due to increased expenditures in the governmental-type activities.
- As of the close of the current fiscal year, the Town of Liberty's governmental funds reported combined ending fund balances of \$3,417,279, an increase of \$77,058 in comparison with the prior year. Approximately 85.4 percent of this total amount, or \$2,918,637 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,100,411 or 76 percent of total general fund expenditures for the fiscal year.
- The Town of Liberty's Water and Sewer capital reserve fund balance was \$216,612 and is available for spending at the government's discretion.
- The Town of Liberty did not take on any additional debt during the current fiscal year and total debt decreased \$42,519 during the current fiscal year.

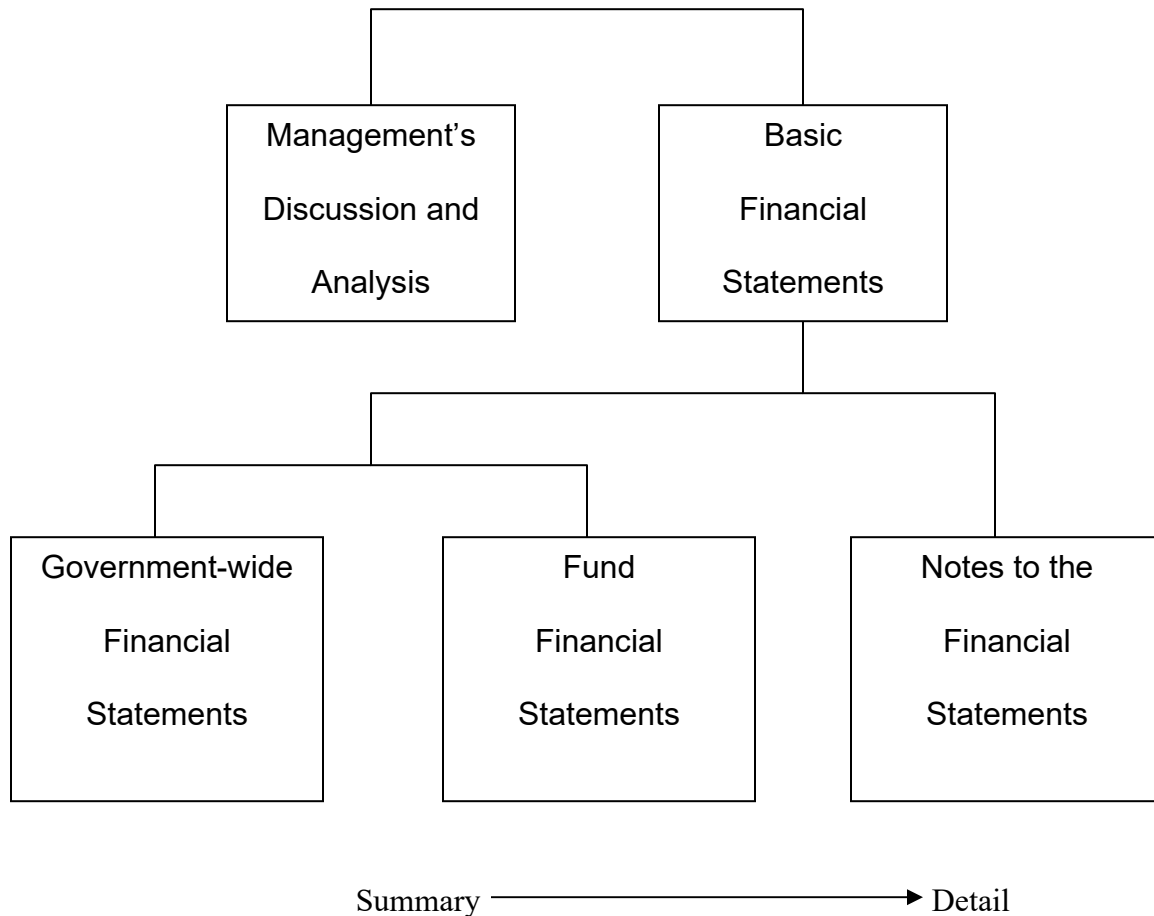
### Overview of the Financial Statements

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



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

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

## Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Liberty. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town, because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

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 Liberty, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Liberty can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 Liberty 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 Funds** – Town of Liberty has one proprietary fund. This *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Liberty uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 through 57 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 Liberty's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modification 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.

## The Town of Liberty's Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,585,195	\$ 3,502,871	\$ 1,594,863	\$ 1,480,745	\$ 5,180,058	\$ 4,983,616
Capital assets	1,404,727	1,457,342	4,288,975	4,286,917	5,693,702	5,744,259
Deferred outflows of resources	275,198	323,501	60,219	71,746	335,417	395,247
Total assets and deferred outflows of resources	5,265,120	5,283,714	5,944,057	5,839,408	11,209,177	11,123,122
Long-term liabilities outstanding	1,065,880	1,039,766	181,062	179,237	1,246,942	1,219,003
Other liabilities	144,856	142,634	207,257	108,179	352,113	250,813
Deferred inflows of resources	10,291	3,772	9,162	7,345	19,453	11,117
Total liabilities and deferred inflows of resources	1,221,027	1,186,172	397,481	294,761	1,618,508	1,480,933
Net position:						
Net investment in capital assets	1,070,652	1,086,814	4,234,397	4,226,274	5,305,049	5,313,088
Restricted	1,108,330	1,019,421	-	-	1,108,330	1,019,421
Unrestricted	1,865,111	1,991,307	1,312,179	1,318,373	3,177,290	3,309,680
Total net position	\$ 4,044,093	\$ 4,097,542	\$ 5,546,576	\$ 5,544,647	\$ 9,590,669	\$ 9,642,189

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 Liberty exceeded liabilities and deferred inflows by \$9,590,669 as of June 30, 2020. The Town's net position decreased by \$51,520 for the fiscal year ended June 30, 2020. However, the largest portion, \$5,305,049 (55.31%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Liberty uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Liberty's net investment in 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 Liberty's net position, \$1,108,330 (11.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,177,290 (33.13%) is unrestricted.

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

- Continued monitoring of expenditures and maximizing efficiency through outsourcing, centralization, decentralization and standardization, as required.
- Continued to maintain an acceptable staff level while meeting expected services. All departments were required to operate within the means of projected expenditures where possible and seek innovative ways to reduce non-essential programs to a minimum and implement cost saving programs.

**Town of Liberty Changes in Net Position**  
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 289,494	\$ 267,372	\$ 917,046	\$ 912,856	\$ 1,206,540	\$ 1,180,228
Operating grants and contributions	106,597	273,909	48,250	69,000	154,847	342,909
Capital grants and contributions	1,014	4,909	201,341	-	202,355	4,909
General revenues:					-	-
Property taxes	1,257,150	1,223,463	-	-	1,257,150	1,223,463
Other taxes	904,522	872,316	-	-	904,522	872,316
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	292,223	270,238	49,269	7,804	341,492	278,042
<b>Total revenues</b>	<b>2,851,000</b>	<b>2,912,207</b>	<b>1,215,906</b>	<b>989,660</b>	<b>4,066,906</b>	<b>3,901,857</b>
<b>Expenses</b>						
General government	537,972	509,275	-	-	537,972	509,275
Public safety	1,365,079	1,268,475	-	-	1,365,079	1,268,475
Transportation	371,347	289,622	-	-	371,347	289,622
Environmental protection	243,895	223,048	-	-	243,895	223,048
Economic and physical development	24,611	66,633	-	-	24,611	66,633
Culture and recreation	351,076	392,478	-	-	351,076	392,478
Interest on long-term debt	10,469	11,258	-	-	10,469	11,258
Water and sewer	-	-	1,213,977	1,144,424	1,213,977	1,144,424
<b>Total expenses</b>	<b>2,904,449</b>	<b>2,760,789</b>	<b>1,213,977</b>	<b>1,144,424</b>	<b>4,118,426</b>	<b>3,905,213</b>
<b>Increase in net position before transfers</b>	<b>(53,449)</b>	<b>151,418</b>	<b>1,929</b>	<b>(154,764)</b>	<b>(51,520)</b>	<b>(3,346)</b>
<b>Transfers</b>	<b>-</b>	<b>4,585</b>	<b>-</b>	<b>(4,585)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(53,449)</b>	<b>156,003</b>	<b>1,929</b>	<b>(159,349)</b>	<b>(51,520)</b>	<b>(3,346)</b>
<b>Net position, beginning</b>	<b>4,097,542</b>	<b>3,941,539</b>	<b>5,544,647</b>	<b>5,703,996</b>	<b>9,642,189</b>	<b>9,645,535</b>
<b>Net position, June 30</b>	<b>\$ 4,044,093</b>	<b>\$ 4,097,542</b>	<b>\$ 5,546,576</b>	<b>\$ 5,544,647</b>	<b>\$ 9,590,669</b>	<b>\$ 9,642,189</b>

**Governmental Activities.** Governmental activities decreased the Town's net position by \$53,449. Key elements of this decrease are as follows:

- A decrease in restricted intergovernmental revenue due to the completion of a grant.
- Increase in capital outlay spending in the capital project fund due to closing of the fund.
- Property Tax Rate remained .64 per 100.
- Increase in payroll and related fringes due to implementation of pay plan from a pay study completed.

**Business-Type Activities:** Business-type activities increased the Town of Liberty's net position by \$1,929. Key elements of this increase are as follows:

- Modified accrual revenues exceeded expenditures by \$14,952.
- The Town continues to fund equipment and vehicle replacements, improvements to our aging water and sewer facilities, and increase compensation for our water and sewer staff.
- The increase in net position is the result of depreciation of \$260,547 – which is slightly higher than FY2018-2019. While depreciation is not an expense that must be paid, it represents the amount of the obligation of the ratepayers of the Liberty water/sewer system to replace and maintain the capital assets currently on-hand. In other words, the cost to replace a piece of equipment over time.
- Capital contributions from a CDBG grant to fund the Wastewater Collection Systems Project.

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

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

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

The general fund is the chief operating fund of the Town of Liberty. At the end of the current fiscal year, The Town of Liberty's unassigned fund balance available in the General Fund was \$2,100,411 while total fund balance reached \$2,970,292. The Town currently has an available fund balance of 105% of general fund expenditures, while total fund balance represents 107% of the same amount.

At June 30, 2020, the governmental funds of Town of Liberty reported a combined fund balance of \$3,417,279 with a net increase in fund balance of \$77,058.

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

Revenues did meet the budgeted amounts primarily due to increases in the Ad Valorem revenue, Local Option Sales Tax, Utilities Franchise Tax and ABC Distribution with an increase total of \$58,718.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,312,179.

The total change in net position for the proprietary fund was an increase of \$1,929. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Liberty's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$5,693,702 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

- Police Equipment
- Fire Department Jaws of Life
- Public Works Backhoe Tractor
- Public Works Leaf Vacuum Truck
- Public Works Truck
- Library Books and Material
- Water Department – Backhoe Tractor
- Sewer Department – Tractor

## Town of Liberty's Capital Assets

**Figure 4**

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 192,520	\$ 192,520	\$ 39,677	\$ 39,677	\$ 232,197	\$ 232,197
Buildings and systems	678,354	713,772	3,824,624	4,035,230	4,502,978	4,749,002
Improvements other than buildings	56,667	75,183	6,764	8,602	63,431	83,785
Machinery and equipment	193,643	176,508	185,687	159,408	379,330	335,916
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	189,086	271,527	30,968	44,000	220,054	315,527
Construction in progress	94,457	27,832	201,255	-	295,712	27,832
<b>Total</b>	<b>\$ 1,404,727</b>	<b>\$ 1,457,342</b>	<b>\$ 4,288,975</b>	<b>\$ 4,286,917</b>	<b>\$ 5,693,702</b>	<b>\$ 5,744,259</b>

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

**Long-Term Debt** As of June 30, 2020, the Town of Liberty had no bonded debt outstanding.

### Town of Liberty's Outstanding Debt

The Town of Liberty's total debt decreased \$42,519 during FY 2020.

Additional information regarding the Town of Liberty's long-term debt can be found in Note 3.B.7, Changes in Long-Term Liabilities.



**Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct Borrowing						
Installment Purchases	\$ 334,077	\$ 370,531	\$ -	\$ -	\$ 334,077	\$ 370,531
Direct Placement:						
Note Payable	-	-	54,578	60,643	54,578	60,643
Compensated Absences	107,345	90,123	23,907	26,562	131,252	116,685
Net Pension Liability						
LCHS	435,963	404,027	102,577	92,032	538,540	496,059
Total Pension Liability						
LHO	188,495	175,085	-	-	188,495	175,085
<b>Total</b>	<b>\$ 1,065,880</b>	<b>\$ 1,099,766</b>	<b>\$ 181,062</b>	<b>\$ 179,237</b>	<b>\$ 1,246,942</b>	<b>\$ 1,219,003</b>

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

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

- Continued lower area unemployment rate as compared with the State at 6.1%.
- Local industry sees growth opportunities and continues expansion and investment, inclusive of real and personal property.
- Stable Sales Tax Revenues in the fiscal year 2020 despite the effects of the pandemic.
- The Town of Liberty adjusted its hours open to the public under emergency declaration in March but has continued to operate and provide support in the community. Not understanding the disease and thus not anticipating an extended closure, the Town of Liberty quickly adapted by equipping its facilities with PPE and clear barriers with intent to protect both citizens and staff. As the time of closure has been prolonged, the Town of Liberty is allocating resources to update systems to allow for contactless operations.

- On the Business-type Activities side of the Town's operations, NC Governor's Executive Order 124 and then 142 prohibited the assessment of late fees and disconnections for past due utility accounts. This resulted in a loss of some fee revenue during the period of March 2020 and June 2020. When the mandate expired (in the 2020-2021 fiscal year), the Town of Liberty set up past due accounts on payment plans and continues to work with customers as they try to catch up on payment of their utility bills.

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

### **Governmental (General Fund) Activities:**

The tax rate for FY2020 is .64 per \$100 assessed value. The budgeted Ad Valorem revenue based on the current tax base is \$1,010,000. Budgeted Vehicle tax revenue is \$98,800. Management does anticipate some slight growth in personal and property tax base.

The projected expenditures for the General Fund will increase \$276,648 or 10% over the current FY2020 budget. Health Insurance will increase by less than 1%. Employee contribution remained stable per month.

### **Business-Type (Proprietary Fund) Activities:**

The flat rate for Water and Sewer rates did not increase for FY2021, projecting Water and Sewer revenues to remain relatively stable over the previous year. The addition of water and sewer taps has remained constant over the last few years with no additional impact to the system.

Projected expenditures for Water and Sewer will increase \$150,057 or 8.9% over the current FY2020 budget. The Town will continue setting aside Capital Reserve in the amount of \$33,152 for major repairs and replacement of lines.

## **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Liberty, P O Box 1006, Liberty, NC 27298 or visit our website at [www.liberty-nc.com](http://www.liberty-nc.com).

**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF NET POSITION**

June 30, 2020

	Primary Government			Town of Liberty ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,442,098	\$ 1,159,459	\$ 3,601,557	\$ 97,698
Receivables:				
Taxes Receivable (net)	30,375	-	30,375	-
Accounts Receivable (net)	72,235	226,513	298,748	-
Accounts receivable - Other	-	22,727	22,727	-
Due From Other Governments	267,626	-	267,626	-
Due From Component Unit	15,797	-	15,797	-
Inventories	1,237	-	1,237	121,440
Prepaid Items	3,155	1,072	4,227	4,122
Restricted Assets:				
Cash and Cash Equivalents	752,672	47,155	799,827	-
Due From Other Governments	-	137,937	137,937	-
<b>Total Current Assets</b>	<b>3,585,195</b>	<b>1,594,863</b>	<b>5,180,058</b>	<b>223,260</b>
Noncurrent Assets:				
Capital Assets:				
Land and Other Non-depreciable Assets	286,977	240,932	527,909	-
Other Capital Assets, Net of Depreciation	1,117,750	4,048,043	5,165,793	19,120
<b>Total Capital Assets</b>	<b>1,404,727</b>	<b>4,288,975</b>	<b>5,693,702</b>	<b>19,120</b>
<b>Total Assets</b>	<b>4,989,922</b>	<b>5,883,838</b>	<b>10,873,760</b>	<b>242,380</b>
<b>Deferred Outflows of Resources:</b>	<b>275,198</b>	<b>60,219</b>	<b>335,417</b>	<b>6,654</b>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	122,109	20,252	142,361	49,201
Unearned Revenue	15,432	2,000	17,432	-
Customer Deposits	-	47,155	47,155	-
Accrued Interest Payable	7,315	-	7,315	-
Due to Primary Government	-	-	-	15,797
Payable From Restricted Assets	-	137,850	137,850	-
Long-Term Liabilities:				
Net Pension Liability	435,963	102,577	538,540	8,739
Total Pension Liability	188,495	-	188,495	-
Due Within One Year	91,613	24,523	116,136	-
Due in More Than One Year	349,809	53,962	403,771	-
<b>Total Liabilities</b>	<b>1,210,736</b>	<b>388,319</b>	<b>1,599,055</b>	<b>73,737</b>
<b>Deferred Inflows of Resources:</b>				
Pension Deferrals	10,291	9,162	19,453	10
<b>Total Deferred Inflows of Resources</b>	<b>10,291</b>	<b>9,162</b>	<b>19,453</b>	<b>10</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	1,070,652	4,234,397	5,305,049	19,120
Restricted for:				
Cultural and Recreational	297,164	-	297,164	-
Transportation	145,704	-	145,704	-
Stabilization by State Statute	355,658	-	355,658	-
Capital Projects	259,661	-	259,661	-
Economic and Physical Development	48,756	-	48,756	-
Public Safety	1,387	-	1,387	-
Working Capital	-	-	-	33,697
Unrestricted	1,865,111	1,312,179	3,177,290	122,470
<b>Total Net Position</b>	<b>\$ 4,044,093</b>	<b>\$ 5,546,576</b>	<b>\$ 9,590,669</b>	<b>\$ 175,287</b>

The notes to the financial statements are an integral part of these statements

**TOWN OF LIBERTY, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Liberty ABC Board
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
General Government	\$ 537,972	\$ 29,416	\$ -	\$ -	\$ (508,556)	\$ -	\$ (508,556)	\$ -
Public Safety	1,365,079	2,000	7,272	1,014	(1,354,793)	-	(1,354,793)	-
Transportation	371,347	-	87,325	-	(284,022)	-	(284,022)	-
Environmental Protection	243,895	237,246	-	-	(6,649)	-	(6,649)	-
Cultural and Recreational	351,076	20,832	12,000	-	(318,244)	-	(318,244)	-
Economic and Physical Development	24,611	-	-	-	(24,611)	-	(24,611)	-
Interest on Long-term Debt	10,469	-	-	-	(10,469)	-	(10,469)	-
Total Governmental Activities	2,904,449	289,494	106,597	1,014	(2,507,344)	-	(2,507,344)	-
Business-Type Activities:								
Water and Sewer	1,213,977	917,046	48,250	201,341	-	(47,340)	(47,340)	-
Total Business-Type Activities	1,213,977	917,046	48,250	201,341	-	(47,340)	(47,340)	-
<b>Total Primary Government</b>	<b>\$ 4,118,426</b>	<b>\$ 1,206,540</b>	<b>\$ 154,847</b>	<b>\$ 202,355</b>	<b>(2,507,344)</b>	<b>(47,340)</b>	<b>(2,554,684)</b>	<b>-</b>
<b>Component Unit:</b>								
ABC Board	\$ 823,820	876,121	-	-	-	-	-	52,301
<b>Total Component Unit</b>	<b>\$ 823,820</b>	<b>\$ 876,121</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,301</b>
<b>General Revenues:</b>								
Taxes:								
Property taxes, levied for general purpose					1,257,150	-	1,257,150	-
Other taxes					904,522	-	904,522	-
Unrestricted investment earnings					20,404	6,839	27,243	123
Gain on Disposal of Assets					-	12,150	12,150	-
Insurance Recovery					36,247	30,280	66,527	22,074
Miscellaneous					235,572	-	235,572	-
<b>Total General Revenues</b>					<b>2,453,895</b>	<b>49,269</b>	<b>2,503,164</b>	<b>22,197</b>
<b>Change in Net Position</b>					<b>(53,449)</b>	<b>1,929</b>	<b>(51,520)</b>	<b>74,498</b>
<b>Net Position Beginning of Year, Previously Reported</b>					<b>4,097,542</b>	<b>5,544,647</b>	<b>9,642,189</b>	<b>100,789</b>
<b>Net Position, Ending</b>					<b>\$ 4,044,093</b>	<b>\$ 5,546,576</b>	<b>\$ 9,590,669</b>	<b>\$ 175,287</b>

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

**TOWN OF LIBERTY, NORTH CAROLINA**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	<u>Major Fund</u>		<u>Total</u>		<u>Total</u>
	<u>General</u>		<u>Non-Major</u>		<u>Governmental</u>
	<u>Fund</u>		<u>Funds</u>		<u>Funds</u>
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 2,442,098	\$ -		\$ 2,442,098	
Receivables:					
Taxes Receivable (Net)	30,375	-		30,375	
Accounts Receivable	72,235	-		72,235	
Due From Other Governments	267,626	-		267,626	
Due From Component Unit	15,797	-		15,797	
Inventories	1,237	-		1,237	
Prepaid Items	3,155	-		3,155	
Restricted Assets:					
Cash and Cash Equivalents	305,665	447,007		752,672	
<b>Total Assets</b>	<u>\$ 3,138,188</u>	<u>\$ 447,007</u>		<u>\$ 3,585,195</u>	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable and Accrued Liabilities	\$ 122,109	\$ -		\$ 122,109	
Unearned Revenue	15,432	-		15,432	
<b>Total Liabilities</b>	<u>137,541</u>	<u>-</u>		<u>137,541</u>	
<b>Deferred Inflows of Resources:</b>					
Property Taxes Receivable	30,375	-		30,375	
<b>Total Deferred Inflows of Resources</b>	<u>30,375</u>	<u>-</u>		<u>30,375</u>	
<b>Fund Balances:</b>					
Nonspendable:					
Inventories	1,237	-		1,237	
Prepaid Assets	3,155	-		3,155	
Cultural and Recreational	-	138,590		138,590	
Restricted:					
Stabilization by State Statute	355,658	-		355,658	
Cultural and Recreational	158,574	-		158,574	
Economic and Physical Development	-	48,756		48,756	
Streets	145,704	-		145,704	
Public Safety	1,387	-		1,387	
Committed:					
Capital Projects	-	259,661		259,661	
Assigned:					
Subsequent Year's Expenditures	204,146	-		204,146	
Unassigned	2,100,411	-		2,100,411	
<b>Total Fund Balances</b>	<u>2,970,272</u>	<u>447,007</u>		<u>3,417,279</u>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 3,138,188</u>	<u>\$ 447,007</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					
Gross capital assets at historical cost		4,198,082			
Accumulated depreciation		(2,793,355)		1,404,727	
Deferred outflows of resources related to pensions				275,198	
Net pension liability				(435,963)	
Total pension liability				(188,495)	
Deferred inflows of resources related to pensions				(10,291)	
Liabilities for earned revenues considered deferred inflows in fund statements				30,375	
Some liabilities, including bonds payable, accrued interest, and compensated absence are not due and payable in the current period and therefore are not reported in the funds				(448,737)	
Net Position of Governmental Activities				\$ 4,044,093	

The notes to the financial statements are an integral part of these statements

**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	<u>Major Fund</u>		<u>Total</u>		<u>Total</u>
	<u>General</u>		<u>Non-Major</u>		<u>Governmental</u>
	<u>Fund</u>		<u>Funds</u>		<u>Funds</u>
<b>Revenues:</b>					
Ad Valorem Taxes	\$ 1,254,794	\$	-	\$	1,254,794
Other Taxes and Licenses	1,653		-		1,653
Intergovernmental Revenues:					
Unrestricted	1,124,403		-		1,124,403
Restricted	108,816		-		108,816
Permits and Fees	2,690		-		2,690
Sales and Services	284,804		-		284,804
Investment Earnings	18,198		2,206		20,404
Miscellaneous Revenue	14,048		-		14,048
<b>Total Revenues</b>	<u>2,809,406</u>		<u>2,206</u>		<u>2,811,612</u>
<b>Expenditures:</b>					
Current:					
General Government	496,418		-		496,418
Public Safety	1,162,671		-		1,162,671
Transportation	403,872		-		403,872
Environmental Protection	243,895		-		243,895
Cultural and Recreational	325,098		-		325,098
Economic and Physical Development	-		24,611		24,611
Debt Service	47,611		-		47,611
Capital Outlay	-		66,625		66,625
<b>Total Expenditures</b>	<u>2,679,565</u>		<u>91,236</u>		<u>2,770,801</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>129,841</u>		<u>(89,030)</u>		<u>40,811</u>
<b>Other Financing Sources (Uses):</b>					
Transfer From Other Funds	8,073		94,457		102,530
Transfer to Other Funds	(94,457)		(8,073)		(102,530)
Insurance Recovery	36,247		-		36,247
<b>Total Other Financing Sources (Uses)</b>	<u>(50,137)</u>		<u>86,384</u>		<u>36,247</u>
<b>Net Change in Fund Balances</b>	79,704		(2,646)		77,058
<b>Fund Balances, Beginning</b>	<u>2,890,568</u>		<u>449,653</u>		<u>3,340,221</u>
<b>Fund Balances, Ending</b>	\$ <u><u>2,970,272</u></u>	\$	<u><u>447,007</u></u>	\$	<u><u>3,417,279</u></u>

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

**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	77,058
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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 outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	153,454	
Depreciation expense for governmental assets		<u>(205,940)</u>	(52,486)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenues for taxes		2,356
Donated assets		785
Loss on disposal of capital asset		(914)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

96,941

Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities

5,234

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

36,454

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.

Accrued interest payable		688
Pension expense		(202,343)
Compensated absences		<u>(17,222)</u>

Total changes in net position of governmental activities

\$ (53,449)

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

**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 1,246,149	\$ 1,246,149	\$ 1,254,794	\$ 8,645
Other Taxes and Licenses	-	1,650	1,653	3
Intergovernmental Revenues:				
Unrestricted	957,642	1,019,642	1,124,403	104,761
Restricted	120,000	107,500	108,816	1,316
Permits and Fees	15,500	1,350	2,690	1,340
Sales and Services	221,000	270,530	284,804	14,274
Investment Earnings	30,000	30,000	18,198	(11,802)
Miscellaneous Revenue	258,580	172,050	14,048	(158,002)
<b>Total Revenues</b>	<b>2,848,871</b>	<b>2,848,871</b>	<b>2,809,406</b>	<b>(39,465)</b>
<b>Expenditures:</b>				
Current:				
General Government	556,344	557,344	496,418	60,926
Public Safety	1,337,375	1,314,678	1,162,671	152,007
Transportation	433,691	462,035	403,872	58,163
Environmental Protection	229,275	229,275	243,895	(14,620)
Cultural and Recreational	387,086	422,052	325,098	96,954
Debt Service	-	48,251	47,611	640
<b>Total Expenditures</b>	<b>2,943,771</b>	<b>3,033,635</b>	<b>2,679,565</b>	<b>354,070</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(94,900)</b>	<b>(184,764)</b>	<b>129,841</b>	<b>314,605</b>
<b>Other Financing Sources (Uses):</b>				
Transfers From Other Funds	94,900	150,009	8,073	(141,936)
Transfers to Other Funds	-	(94,457)	(94,457)	-
Insurance Recovery	-	33,755	36,247	2,492
<b>Total Other Financing Sources (Uses)</b>	<b>94,900</b>	<b>89,307</b>	<b>(50,137)</b>	<b>(139,444)</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>95,457</b>	<b>-</b>	<b>(95,457)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>79,704</b>	<b>\$ 79,704</b>
<b>Fund Balance, Beginning</b>			<b>2,890,568</b>	
<b>Fund Balance, Ending</b>			<b>\$ 2,970,272</b>	

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



**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

June 30, 2020

	<u>Water and Sewer Fund</u>
<b>Assets:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,159,459
Accounts Receivable (Net)	226,513
Accounts Receivable - Other	22,727
Prepaid Expenses	1,072
Restricted Assets:	
Cash and Cash Equivalents	47,155
Due From Other Governments	137,937
Total Current Assets	<u>1,594,863</u>
Noncurrent Assets:	
Capital Assets:	
Land and Other Non-depreciable Assets	240,932
Other Capital Assets, Net of Depreciation	4,048,043
Total Capital Assets (Net)	<u>4,288,975</u>
Total Noncurrent Assets	<u>4,288,975</u>
<b>Total Assets</b>	<b>\$ <u>5,883,838</u></b>
<b>Deferred Outflows of Resources:</b>	<b>\$ <u>60,219</u></b>
<b>Liabilities:</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	20,252
Payable From Restricted Assets	137,850
Customer Deposits	47,155
Unearned Revenues	2,000
Compensated Absences - Current	18,459
Notes Payable - Current	6,064
Total Current Liabilities	<u>231,780</u>
Noncurrent Liabilities:	
Compensated Absences	5,448
Net Pension Liability	102,577
Notes Payable - Noncurrent	48,514
Total Noncurrent Liabilities	<u>156,539</u>
<b>Total Liabilities</b>	<b><u>388,319</u></b>
<b>Deferred Inflows of Resources:</b>	
Pension Deferrals	<u>9,162</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	4,234,397
Unrestricted	1,312,179
<b>Total Net Position</b>	<b>\$ <u>5,546,576</u></b>

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

**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND**

For the Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 863,111
Water and Sewer Taps	44,445
Other Operating Revenues	9,490
	<hr/>
<b>Total Operating Revenues</b>	<b>917,046</b>
	<hr/>
<b>Operating Expenses:</b>	
Water and Sewer Administration	279,345
Water	318,989
Sewer	355,096
Depreciation	260,547
	<hr/>
<b>Total Operating Expenses</b>	<b>1,213,977</b>
	<hr/>
<b>Operating Loss</b>	<b>(296,931)</b>
	<hr/>
<b>Nonoperating Revenues:</b>	
Investment Earnings	6,839
Grants	48,250
Insurance Recovery	30,280
Gain on Disposal of Fixed Assets	12,150
	<hr/>
<b>Total Nonoperating Revenues</b>	<b>97,519</b>
	<hr/>
<b>Loss Before Contributions</b>	<b>(199,412)</b>
	<hr/>
<b>Contributions</b>	<b>201,341</b>
	<hr/>
<b>Change in Net Position</b>	<b>1,929</b>
	<hr/>
<b>Total Net Position Beginning of Year, Previously Reported</b>	<b>5,544,647</b>
	<hr/>
<b>Total Net Position - End of Year</b>	<b>\$ 5,546,576</b>
	<hr/> <hr/>

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

**TOWN OF LIBERTY, NORTH CAROLINA****STATEMENT OF CASH FLOWS****PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 808,793
Cash Paid for Goods and Services	(430,054)
Cash Paid to Employees for Services	(405,062)
Customer Deposits Received	1,995
Other Operating Revenues	51,920
<b>Net Cash Provided by Operating Activities</b>	<u>27,592</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Contributions - Grants	201,341
Contributions - Grants (Other)	48,250
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>249,591</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Principal Paid on Notes Payable	(6,064)
Acquisition of Capital Assets	(262,603)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(268,667)</u>
<b>Cash Flows From Investing Activities:</b>	
Investment Earnings	6,839
<b>Net Increase in Cash and Cash Equivalents</b>	15,355
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,191,259</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,206,614</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided By Operating Activities:</b>	
Operating (Loss)	\$ (296,931)
<b>Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:</b>	
Depreciation	260,547
Other Operating Revenues	42,430
<b>Changes in Assets and Liabilities:</b>	
(Increase) in Accounts Receivable	(98,763)
Decrease in Deferred Outflows of Resources - Pension	11,526
Increase in Net Pension Liability	10,545
Increase in Deferred Inflows of Resources - Pension	1,816
Increase in Accounts Payable and Accrued Liabilities	97,083
Decrease in Compensated Absences	(2,656)
Increase in Customer Deposits	1,995
<b>Total Adjustments</b>	<u>324,523</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 27,592</u>

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

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS**

For The Fiscal Year Ended June 30, 2020

#### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Liberty 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 Liberty is a municipal corporation which is governed by an elected mayor and a five-member council and has a population of approximately 2,779. 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.

The Town provides services which include general government, public safety, streets, sanitation, zoning, and recreation. The Town maintains a water and sewer system which services the Town and surrounding areas on a user-charge basis.

Town of Liberty 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 Town of Liberty ABC Board, Post Office Box 1186, Liberty, North Carolina 27298.

##### 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.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### B. Basis of Presentation (Continued).

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 nonoperating 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 other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, libraries, and general government services.

The Town reports the following non-major governmental funds:

**Police Department Building Capital Project Fund.** This fund is used to account for the construction of a new police department facility.

**Capital Project Capital Reserve Fund.** This fund is used to account for future purchase of governmental assets funded by commitments by the Town council.

**Downtown Revitalization Special Revenue Fund.** This fund is used to account for grant funds restricted for a particular purpose.

**Library Permanent Fund.** This fund is used to account for contributions restricted for the funding of programs and materials for visual and hearing impaired residents.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### B. Basis of Presentation (Concluded).

The Town reports the following major enterprise fund:

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

##### 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

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### C. Measurement Focus and Basis of Accounting (Concluded).

*Governmental Fund Financial Statements (Concluded).* 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 Liberty because the tax is levied by Randolph 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, Capital Project Capital Reserve Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Capital Project Funds, Special Revenue Funds, and the Enterprise Fund Capital Projects Funds. The enterprise fund projects are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### D. Budgetary Data (Concluded).

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

###### 1. Deposits and Investments

All deposits of the Town and 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 principle office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

###### 2. Cash and Cash Equivalents

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

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.



## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

##### 3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash is also restricted for the future purchase of governmental assets funded by commitments by the Town council. Cash is also restricted by an agreement with the U.S. Department of Justice to be used for the purchase of qualified equipment by the Town's police department. Cash is also restricted by donors for use by the Town of Liberty library. Cash is also restricted by grantor for downtown revitalization. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Liberty - Restricted Cash</u>	
Governmental Activities:	
General Fund:	
Transportation – Streets	\$ 145,704
Public Safety	1,387
Cultural and Recreational	158,574
Other Governmental	
Cultural and Recreational	138,590
Economic and Physical Development	48,756
Capital Outlay	259,661
Total Governmental Activities	<u>\$ 752,672</u>
Business-type Activities:	
Water and Sewer Fund:	
Customer Deposits	47,155
Total Restricted Cash	<u>\$ 799,827</u>

##### 4. Ad Valorem Taxes Receivable

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

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

###### 5. Allowances for Doubtful Accounts

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

###### 6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as inventory when purchased and expended when consumed.

The inventory of the ABC Board consists of materials and supplies held for subsequent use. The cost of the inventories is expensed when consumed rather than when purchased.

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

###### 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

##### 7. Capital Assets (Concluded)

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5 - 15
Furniture and Equipment	5 - 10
Computer Equipment	3 - 5

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

Asset Class	Estimated Useful Lives
Furniture and Equipment	5 – 7
Leasehold Improvements	10

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion – pension related deferrals for the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet this criterion – property taxes receivable and pension related deferrals for the current fiscal year.

##### 9. Long-Term Obligations

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

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

##### 10. Compensated Absences

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

The Town's sick leave 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 benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

##### 11. Net Position/Fund Balances

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

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

**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.

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

**Prepaid Assets** - portion of fund balance not available for appropriation because it represents a deferred charge which is not an expendable, available resource.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued).

##### 11. Net Position/Fund Balances (Continued)

Cultural and Recreational - portion of fund balance restricted by contributor for library improvements for the hearing and visually impaired.

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 General Statute 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 and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Cultural and Recreational - portion of fund balance restricted by the donor to be used for library expenditures.

Restricted for Public Safety – portion of fund balance that is restricted for expenditures for the police department.

Restricted for Economic and Physical Development – portion of fund balance restricted for economic and physical development.

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### Note 1 - Summary of Significant Accounting Policies (Concluded)

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Concluded).

##### 11. Net Position/Fund Balances (Concluded)

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 Liberty’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body by formal resolution.

Committed for Capital Projects – portion of fund balance assigned by the Town Council for capital project expenditures.

Assigned Fund Balance – portion of fund balance assigned by majority vote of the governing body that the Town of Liberty intends to use for specific purposes.

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

##### 12. Defined Benefit Cost-Sharing Plans

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

#### Note 2 – Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations.

For the fiscal year ended June 30, 2020, the expenditures made in the sanitation and cemetery departments exceeded appropriations by \$9,746 and \$4,874, respectively. Management will more closely review the budget to actual reports in the future.

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 3 - 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 the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,967,710 and a bank balance of \$1,982,597. 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 Town's petty cash fund totaled \$350. The carrying amount of deposits for the ABC Board was \$95,698 and the bank balance was \$107,956. All of the bank balance was covered by federal depository insurance. The ABC Board's petty cash fund totaled \$2,000.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### A. Assets (Continued).

##### 2. Investments

At June 30, 2020 the Town of Liberty had \$1,674,814 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's, and the North Carolina Capital Management Trust's Term Portfolio, which is not rated. The Town has no policy regarding credit risk or interest rate risk.

Investment Type	Valuation Measurement Method	Book Value at 6/30/20	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value – Level 1	\$ 1,674,814	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	758,510	.15 years	Unrated
Total		<u>\$ 2,433,324</u>		

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

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

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

*Credit Risk.* The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.



**TOWN OF LIBERTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the balance sheet and the statement of net position does not include amounts for penalties.

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

<u>Fund</u>	<u>6/30/2020</u>
General:	
Taxes Receivable	\$ 3,000
Enterprise:	
Customer Accounts Receivable	<u>28,000</u>
Total	<u>\$ 31,000</u>

**TOWN OF LIBERTY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

4. 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
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 192,520	\$ -	\$ -	\$ 192,520
Construction in Progress	27,832	66,625	-	94,457
Total Capital Assets Not Being Depreciated	220,352	66,625	-	286,977
<b>Capital Assets Being Depreciated:</b>				
Buildings	1,256,374	-	-	1,256,374
Equipment	898,475	60,339	29,009	929,805
Computer Equipment	112,745	-	-	112,745
Other Improvements	382,493	-	-	382,493
Vehicles and Motorized Equipment	1,202,410	27,275	-	1,229,685
Total Capital Assets Being Depreciated	3,852,497	87,614	29,009	3,911,102
<b>Less Accumulated Depreciation For:</b>				
Buildings	542,602	35,418	-	578,020
Equipment	724,345	40,959	28,095	737,209
Computer Equipment	110,367	1,331	-	111,698
Other Improvements	307,310	18,516	-	325,826
Vehicles and Motorized Equipment	930,883	109,716	-	1,040,599
Total Accumulated Depreciation	2,615,507	\$ 205,940	\$ 28,095	2,793,352
Total Capital Assets Being Depreciated, Net	1,236,990			1,117,750
<b>Governmental Activity Capital Assets, Net</b>	<u>\$ 1,457,342</u>			<u>\$ 1,404,727</u>

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

General Government	\$ 15,549
Public Safety	146,064
Transportation	32,721
Cultural and Recreational	11,606
	<u>\$ 205,940</u>

**TOWN OF LIBERTY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Concluded).

4. Capital Assets (Concluded)

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 39,677	\$ -	\$ -	\$ 39,677
Construction in Progress	-	201,255	-	201,255
Total Capital Assets Not Being Depreciated	39,677	201,255	-	240,932
<b>Capital Assets Being Depreciated:</b>				
Buildings	438,864	-	-	438,864
Plant and Distribution Systems	9,650,211	-	-	9,650,211
Other Improvements	56,277	-	-	56,277
Equipment	463,290	61,350	-	524,640
Computer Equipment	50,997	-	-	50,997
Vehicles	173,196	-	10,120	163,076
Total Capital Assets Being Depreciated	10,832,835	61,350	10,120	10,884,065
<b>Less Accumulated Depreciation For:</b>				
Buildings	320,232	11,919	-	332,151
Plant and Distribution Systems	5,733,613	198,687	-	5,932,300
Other Improvements	47,675	1,838	-	49,513
Equipment	322,480	28,703	-	351,183
Computer Equipment	32,399	6,368	-	38,767
Vehicles	129,196	13,032	10,120	132,108
Total Accumulated Depreciation	6,585,595	\$ 260,547	\$ 10,120	6,836,022
Total Capital Assets Being Depreciated, Net	4,247,240			4,048,043
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 4,286,917</u>			<u>\$ 4,288,975</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
<b>Capital Assets Being Depreciated:</b>				
Leasehold Improvements	\$ 1,931	\$ -	\$ -	\$ 1,931
Furniture and Equipment	67,303	9,084	-	76,387
Total Capital Assets Being Depreciated	69,234	9,084	-	78,318
<b>Less Accumulated Depreciation For:</b>				
Leasehold Improvements	1,931	-	-	1,931
Furniture and Equipment	53,056	4,211	-	57,267
Total Accumulated Depreciation	54,987	\$ 4,211	\$ -	59,198
<b>ABC Capital Assets, Net</b>	<u>\$ 14,247</u>			<u>\$ 19,120</u>

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities.

##### 1. Payables

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

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 94,899	\$ 27,210	\$ - -	\$ 122,109
Business-type Activities:				
Water and Sewer	\$ 152,662	\$ 5,440	\$ - -	\$ 158,102

##### 2. Pension Plan Obligations

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

*Plan Description.* The Town of Liberty is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a multiple-employer, cost-sharing, 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 government 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 thirteen 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, NC 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued).

*Benefits Provided (Concluded).* beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan. LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Liberty employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Liberty's contractually required contribution rate for the year ended June 30, 2020 was 9.56% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The Town of Liberty's contributions to the pension plan for the year ended June 30, 2020 was \$120,832.

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

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued).

*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 \$538,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 and June 30, 2019, the Town's proportion was .02% and .02%, respectively.

For the year ended June 30, 2020, the Town recognized pension expense of \$236,997. 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
Difference between expected and actual experience	\$ 92,211	\$ - 0 -
Changes of assumptions	87,773	- 0 -
Net difference between projected and actual earnings on pension plan investments	13,136	- 0 -
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,180	19,455
Town contributions subsequent to measurement date	120,832	- 0 -
Total	<u>\$ 315,132</u>	<u>\$ 19,455</u>

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued).

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).*

The \$120,832 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year 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 Ending June 30</u>	
2021	\$ 91,769
2022	24,109
2023	47,489
2024	11,478
2025	- -
Thereafter	- -
	<u>\$ 174,845</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 mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued).

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).*

*Actuarial Assumptions(Continued).* 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 forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.



## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Concluded).

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).*

*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 liability calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
System's proportionate share of net pension liability (asset)	\$ 1,231,734	\$ 538,540	(\$ 37,649)

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

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance

###### *(1) Plan Description*

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

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	<u>10</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.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

###### *(2) Summary of Significant Accounting Policies(Concluded)*

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

###### *(3) Actuarial Assumptions*

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

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

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

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

###### *(4) Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$10,503 as benefits came due for the reporting period.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

*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 \$188,495. 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 City recognized pension expense of \$18,713.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,165	\$ - 0 -
Changes of assumptions and other inputs	9,770	5,885
Benefit payments and administrative expenses subsequent to measurement date	5,234	- 0 -
Total	<u>\$ 26,169</u>	<u>\$ 5,885</u>

The \$5,234 paid as benefits came due and \$ 0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2021	\$ 3,470
2022	3,470
2023	3,738
2024	2,753
2025	1,619
Thereafter	-0-
	<u>\$ 15,050</u>

**TOWN OF LIBERTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance. (Concluded)

*Sensitivity of the Town's Proportionate Share of the Net 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%, 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%) or 1 percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 203,616	\$ 188,495	\$ 174,497

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

Beginning Balance	\$ 175,085
Service Costs	8,742
Interest on Pension Liability	6,182
Changes of Benefit Terms	- 0 -
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	3,537
Changes of Assumptions and Other Inputs	5,452
Benefit Payments	( 10,503)
Other Changes	- 0 -
Ending Balance Total Pension Liability	<u>\$ 188,495</u>

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

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

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Continued)

##### c. Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources related to Pensions

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 236,997	\$ 18,713	\$ 255,710
Pension Liability	\$ 538,540	\$ 188,495	\$ 727,035
Proportionate Share of Net Pension Liability	.02%	N/A	

##### Deferred Outflows of Resources:

##### Differences Between Expected & Actual

Experience	\$ 92,211	\$ 11,165	\$ 103,376
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Changes of Assumptions	\$ 87,773	\$ 9,770	\$ 97,543
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##### Net Difference Between Projected & Actual

Earnings on Plan Investments	\$ 13,136	\$ - 0 -	\$ 13,136
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##### Changes in Proportion & Differences Between

Contributions & Prportionate Share of Contributions	\$ 1,180	\$ - 0 -	\$ 1,180
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##### Benefit Payments & Administrative Costs Paid

Subsequent to the Measurement Date	\$ 120,832	\$ 5,234	\$ 126,066
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##### Deferred Inflows of Resources:

##### Differences Between Expected & Actual

Experience	\$ - 0 -	\$ - 0 -	\$ - 0 -
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Changes of Assumptions	\$ - 0 -	\$ 5,885	\$ 5,885
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##### Net Difference Between Projected & Actual

Earnings on Plan Investments	\$ - 0 -	\$ - 0 -	\$ - 0 -
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##### Changes in Proportion & Differences Between

Contributions & Proportionate Share of Contributions	\$ 19,455	\$ - 0 -	\$ 19,455
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##### d. Supplemental Retirement Income Plan

*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 all regular, current, full-time employees. 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 is included in the Comprehensive Annual

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 2. Pension Plan Obligations (Concluded)

##### d. Supplemental Retirement Income Plan (Concluded)

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 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 an amount equal to five percent of each officer's salary and three percent of each general employee's monthly base salary; all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$53,017 which consisted of \$40,190 from the Town and \$12,827 from employees.

##### 3. 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. 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. For the fiscal year ended June 30, 2020, the Town made contributions to the State for death benefits of \$1,674. The Town's required contributions for employees not engaged in law

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 3. Other Employment Benefits (Concluded)

enforcement and for law enforcement officers represented 0.12% and 0.14% of covered payroll, respectively.

##### 4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources at June 30, 2020 is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 120,832
Benefit payments made and administrative expenses for LEOSSA	5,234
Differences between expected and actual experience	103,376
Changes of assumptions	97,543
Net difference between expected and actual earnings on pension plan investments	13,136
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,180
Total	<u>\$ 341,301</u>

Deferred inflows of resources at June 30, 2020 is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, Net (General)	\$ - -	\$ 30,375
Differences between expected and actual experience	- -	- -
Changes of assumptions	5,885	- -
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,455	- -
Total	<u>\$ 25,340</u>	<u>\$ 30,375</u>

##### 5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability



## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 3 - Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued).**

##### **5. Risk Management (Concluded)**

and auto liability coverage of \$1 million per occurrence; property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year.

Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town is not located in a flood plain, therefore, they do not carry any flood insurance.

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

##### **6. Claims, Judgments, and Contingent Liabilities**

At June 30, 2020, there was no material pending or threatened litigation, claims or assessments involving the Town of Liberty.

##### **7. Long-Term Obligations**

##### **a. Installment Loans**

The Town entered into a direct borrowing financing agreement on May 22, 2015 with the Branch Banking and Trust Company (BB&T ) for \$389,491 to refinance the new fire station. The financing agreement requires annual payments of \$35,912 including interest with a rate of 3.03% per annum for a 12-year term. The fire department building is pledged as collateral for the debt while the debt is outstanding.

## TOWN OF LIBERTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Note 3 - Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued).

##### 7. Long-Term Obligations Continued)

##### a. Installment Loans (Concluded).

The Town entered into a direct borrowing financing agreement on February 2, 2018 with the Capital Bank for \$100,000 to finance new fire equipment. The financing agreement requires annual payments of \$11,700 including interest with a rate of 2.9% per annum for a 10-year term. The fire department equipment is pledged as collateral for the debt while the debt is outstanding.

Annual debt service requirements to maturity for the installment loans at June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 37,598	\$ 10,014
2022	38,725	8,887
2023	39,886	7,726
2024	41,082	6,530
2025	42,313	5,299
2026 – 2030	134,473	8,132
Totals	<u>\$ 334,077</u>	<u>\$ 46,588</u>

##### b. Notes Payable.

The note payable shown in the Water and Sewer Fund consist of the balance due on a \$121,285 direct placement revolving loan from the State Water Pollution Control Revolving Loan Program for improvements to the Town's wastewater collection system. This agreement requires payments over twenty years at a rate of 0%.

Annual debt service requirements to maturity for the notes payable are as follows:

Business-type Activities	
Year Ending June 30	Principal
2021	\$ 6,064
2022	6,064
2023	6,064
2024	6,064
2025	6,064
2026 – 2030	<u>24,258</u>
Totals	<u>\$ 54,578</u>

At June 30, 2020, the Town's legal debt margin is \$15,380,165.

# TOWN OF LIBERTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Note 3 - Detail Notes on All Funds (Continued)

#### B. Liabilities (Concluded).

#### 7. Long-Term Obligations Concluded)

##### c. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental Activities:					
Direct Borrowing:					
Installment Purchases	\$ 370,531	\$ - -	\$ 36,454	\$ 334,077	\$ 37,598
Compensated Absences	90,123	71,237	54,015	107,345	54,015
Net Pension Liability (LGERS)	404,027	31,936	- -	435,963	- -
Total Pension Liability (LEO)	175,085	13,410	- -	188,495	- -
Governmental Activity Long-term Liabilities	<u>\$ 1,039,766</u>	<u>\$ 116,583</u>	<u>\$ 90,469</u>	<u>\$ 1,065,880</u>	<u>\$ 91,613</u>
Business-type Activities:					
Direct Placement:					
Note Payable	\$ 60,643	\$ - -	\$ 6,065	\$ 54,578	\$ 6,064
Compensated Absences	26,562	15,804	18,459	23,907	18,459
Net Pension Liability (LGERS)	92,032	10,545	- -	102,577	- -
Business-type Activity Long-term Liabilities	<u>\$ 179,237</u>	<u>\$ 26,349</u>	<u>\$ 24,524</u>	<u>\$ 181,062</u>	<u>\$ 24,523</u>

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

**TOWN OF LIBERTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Note 3 - Detail Notes on All Funds (Concluded)

C. Interfund Balances and Activity.

1. Transfers To / From Other Funds

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

From Capital Project Capital Reserve Fund to the General Fund – to fund Capital outlay.	\$ 8,073
From the General Fund to the Police Department Building Capital Project Fund – To close out project fund.	<u>94,457</u>
Total	<u>\$ 102,530</u>

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.

D. 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	<u>\$ 2,970,272</u>
Less:	
Inventories	1,237
Prepaid Assets	3,155
Streets – Powell Bill	145,704
Stabilization by State Statute	355,658
Public Safety	1,387
Cultural and Recreational	158,574
Appropriated Fund Balance in the 2021 Budget	<u>204,146</u>
Remaining Fund balance	<u><u>\$ 2,100,411</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Encumbrances</u>	
<u>General Fund</u>	<u>Non-major Funds</u>
\$ - 0 -	\$ - 0 -

## **TOWN OF LIBERTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

#### **Note 4 - Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

The Town has received proceeds from 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

#### **Note 5 - Joint Venture**

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the Town reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no entity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

**TOWN OF LIBERTY**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION (LIABILITY) ASSET**

Local Government Employees' Retirement System  
Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	0.020%	0.020%	0.020%	0.020%	0.017%	0.016%	0.016%
Town's proportionate share of the net pension liability (asset)	\$ 538,540	\$ 496,059	\$ 313,336	\$ 426,378	\$ 77,373	\$ (96,011)	\$ 190,451
Town's covered payroll	\$ 1,251,508	\$ 1,197,681	\$ 1,153,150	\$ 1,028,859	\$ 967,178	\$ 993,893	\$ 947,180
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.03%	41.42%	27.17%	41.44%	8.00%	(9.93%)	20.11%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

Notes to the schedule:

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

**TOWN OF LIBERTY**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

Local Government Employees' Retirement System

Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 120,832	\$ 99,702	\$ 92,459	\$ 85,538	\$ 71,515	\$ 68,691	\$ 71,159
Contributions in relation to the contractually required contribution	120,832	99,702	92,459	85,538	71,515	68,691	71,159
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,319,007	\$ 1,251,508	\$ 1,197,681	\$ 1,153,150	\$ 1,028,859	\$ 967,178	\$ 993,893
Contributions as a percentage of covered payroll	9.16%	7.97%	7.72%	7.42%	6.95%	7.10%	7.16%

Notes to the schedule:

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

**TOWN OF LIBERTY**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 175,085	\$ 166,018	\$ 151,526	\$ 151,515
Service Costs	8,742	9,883	8,397	8,650
Interest on Total Pension Liability	6,182	5,080	5,646	5,222
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience in the				
Measurement of Total Pension Liability	3,537	11,390	951	-
Changes of Assumptions or Other Inputs	5,452	(6,783)	10,001	(3,358)
Benefit Payments	(10,503)	(10,503)	(10,503)	(10,503)
Other Changes	-	-	-	-
Ending Balance Total Pension Liability	<u>\$ 188,495</u>	<u>\$ 175,085</u>	<u>\$ 166,018</u>	<u>\$ 151,526</u>

Notes to the schedule:

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

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



**TOWN OF LIBERTY**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 188,495	\$ 175,085	\$ 166,018	\$ 151,526
Covered Payroll	\$ 426,776	\$ 444,563	\$ 407,930	\$ 402,336
Total Pension Liability as a Percentage of Covered Payroll	44.17%	39.38%	40.70%	37.66%

Notes to the schedule:

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

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

**TOWN OF LIBERTY, NORTH CAROLINA**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad Valorem Taxes:			
Current Year Taxes	\$	\$ 1,237,271	\$
Penalties and Interest		3,995	
Prior Years Taxes		13,528	
Total	<u>1,246,149</u>	<u>1,254,794</u>	<u>8,645</u>
Other Taxes and Licenses:			
Animal Tax		1,411	
Gross Receipts Tax on Short-Term Rental Property		242	
Total	<u>1,650</u>	<u>1,653</u>	<u>3</u>
Intergovernmental Revenues:			
Unrestricted Intergovernmental:			
Sales Tax Refund		42,550	
Local Option Sales Tax		674,908	
Utilities Franchise Tax		172,109	
ABC Distribution		35,299	
County Fire Tax		186,225	
Arrest Fees		2,000	
Beer and Wine Tax		11,312	
Total	<u>1,019,642</u>	<u>1,124,403</u>	<u>104,761</u>
Restricted Intergovernmental:			
Powell Bill		87,325	
Library Supplement		12,000	
Solid Waste Disposal Tax		1,990	
U.S. Treasury/Justice Allocations		229	
ABC Revenue for Law Enforcement		5,000	
ABC Revenue for Medical Building		2,272	
Total	<u>107,500</u>	<u>108,816</u>	<u>1,316</u>
Permits and Fees:			
Zoning Fees		2,415	
Fines and Permits		275	
Total	<u>1,350</u>	<u>2,690</u>	<u>1,340</u>
Investment Earnings	\$ 30,000	\$ 18,198	\$ (11,802)

**TOWN OF LIBERTY, NORTH CAROLINA**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues (Concluded):</b>			
Sales and Services:			
Recreational Fees	\$	\$ 16,180	\$
Rents		26,726	
Cemetery Revenues		21,000	
Solid Waste Fees		216,246	
Library Revenues		4,652	
Total	<u>270,530</u>	<u>284,804</u>	<u>14,274</u>
Miscellaneous:			
Other Revenues	<u>172,050</u>	<u>14,048</u>	<u>(158,002)</u>
<b>Total Revenues</b>	<u>2,848,871</u>	<u>2,809,406</u>	<u>(39,465)</u>
<b>Expenditures:</b>			
General Government:			
Governing Body			
Salaries and Employee Benefits		19,700	
Other Operating Expenditures		4,698	
Total	<u>24,700</u>	<u>24,398</u>	<u>302</u>
Administration:			
Salaries and Employee Benefits		209,762	
Utilities		6,615	
Telephone and Postage		6,244	
Professional Services		27,225	
Insurance		57,365	
Sales Tax		28,178	
Maintenance and Supplies		37,295	
Contracted Services		41,903	
Dues and Subscriptions		4,976	
Other Operating Expenditures		14,997	
Total	<u>487,472</u>	<u>434,560</u>	<u>52,912</u>
Election:			
Professional Services	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Planning and Zoning			
Salaries and Employee Benefits		1,163	
Contracted Services		6,306	
Other Operating Expenditures		29,991	
Total	<u>43,172</u>	<u>37,460</u>	<u>5,712</u>
<b>Total General Government</b>	<u>\$ 557,344</u>	<u>\$ 496,418</u>	<u>\$ 60,926</u>

**TOWN OF LIBERTY, NORTH CAROLINA**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued)</b>			
Public Safety:			
Police Department:			
Salaries and Employee Benefit:	\$	\$ 703,041	\$
Utilities		4,817	
Maintenance and Repairs		26,161	
Telephone and Postage		7,298	
Contracted Services		13,361	
Supplies		4,910	
Fuel		16,254	
Capital Outlay		3,265	
Other Operating Expenditures		16,968	
Total	<u>929,873</u>	<u>796,075</u>	<u>133,798</u>
Fire Department:			
Salaries and Employee Benefit:		299,861	
Utilities		9,244	
Maintenance and Repairs		20,893	
Telephone and Postage		2,852	
Contracted Services		5,525	
Supplies		3,838	
Fuel		9,479	
Capital Outlay		8,724	
Other Operating Expenditures		6,180	
Total	<u>384,805</u>	<u>366,596</u>	<u>18,209</u>
Total Public Safety	<u>1,314,678</u>	<u>1,162,671</u>	<u>152,007</u>
Transportation:			
Streets:			
Salaries and Employee Benefit:		127,535	
Utilities		43,295	
Maintenance and Repairs		68,168	
Telephone and Postage		2,394	
Contracted Services		77,068	
Supplies		3,252	
Fuel		3,129	
Capital Outlay		74,840	
Other Operating Expenditures		4,191	
Total Transportation	\$ <u>462,035</u>	\$ <u>403,872</u>	\$ <u>58,163</u>

**TOWN OF LIBERTY, NORTH CAROLINA**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Concluded):</b>			
Environmental Protection			
Sanitation:			
Maintenance and Repairs	\$	\$ 1,055	\$
Contracted Services		202,885	
Supplies		216	
Fuel		1,614	
Other Operating Expenditures		15,051	
Total	<u>211,075</u>	<u>220,821</u>	<u>(9,746)</u>
Cemetery :			
Other Operating Expenditures	<u>18,200</u>	<u>23,074</u>	<u>(4,874)</u>
Total Environmental Protection	<u>229,275</u>	<u>243,895</u>	<u>(14,620)</u>
Cultural and Recreational:			
Recreation:			
Salaries and Employee Benefits:		109,142	
Utilities		12,758	
Maintenance and Repairs		13,708	
Contracted Services		10,952	
Telephone and Postage		5,070	
Supplies		1,253	
Fuel		2,010	
Athletic Programs		15,696	
Other Operating Expenditures		19,131	
Total	<u>262,271</u>	<u>189,720</u>	<u>72,551</u>
Library:			
Salaries and Employee Benefits		109,013	
Utilities		984	
Maintenance and Repairs		3,527	
Contract Services		3,641	
Telephone and Postage		745	
Supplies		619	
Other Operating Expenditures		16,849	
Total	<u>159,781</u>	<u>135,378</u>	<u>24,403</u>
Total Cultural and Recreational	<u>422,052</u>	<u>325,098</u>	<u>96,954</u>
Debt Service:			
Principal		36,454	
Interest		11,157	
Total Debt Service	<u>48,251</u>	<u>47,611</u>	<u>640</u>
Total Expenditures	<u>3,033,635</u>	<u>2,679,565</u>	<u>354,070</u>
Revenues Over (Under) Expenditures	\$ <u>(184,764)</u>	\$ <u>129,841</u>	\$ <u>314,605</u>

**TOWN OF LIBERTY, NORTH CAROLINA**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers From Other Funds:			
General Fund Capital Reserve	\$ 150,009	\$ 8,073	\$ (141,936)
Transfers to Other Funds:			
Police Department Building Capital Project Fund	(94,457)	(94,457)	-
Insurance Recovery	<u>33,755</u>	<u>36,247</u>	<u>2,492</u>
<b>Total Other Financing Sources (Uses)</b>	<u>89,307</u>	<u>(50,137)</u>	<u>(139,444)</u>
<b>Appropriated Fund Balance</b>	<u>95,457</u>	<u>-</u>	<u>(95,457)</u>
<b>Net Change in Fund Balance</b>	\$ <u><u>-</u></u>	<u>79,704</u>	\$ <u><u>79,704</u></u>
<b>Fund Balance, Beginning</b>		<u>2,890,568</u>	
<b>Fund Balance, Ending</b>		\$ <u><u>2,970,272</u></u>	

**TOWN OF LIBERTY, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2020

	<u>Downtown Revitalization Fund</u>	<u>Capital Reserve Fund</u>	<u>Police Department Building Capital Project Fund</u>	<u>Library Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
<b>Assets:</b>					
Restricted Cash	\$ 48,756	\$ 259,661	\$ -	\$ 138,590	\$ 447,007
<b>Total Assets</b>	<u>\$ 48,756</u>	<u>\$ 259,661</u>	<u>\$ -</u>	<u>\$ 138,590</u>	<u>\$ 447,007</u>
<b>Liabilities and Fund Balances:</b>					
Liabilities:					
Payable From Restricted Asset	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Cultural and Recreational	-	-	-	138,590	138,590
Restricted:					
Economic and Physical Developmen	48,756	-	-	-	48,756
Stabilization by State Statute	-	-	-	-	-
Committed:					
Capital Projects	-	259,661	-	-	259,661
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<u>48,756</u>	<u>259,661</u>	<u>-</u>	<u>138,590</u>	<u>447,007</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 48,756</u>	<u>\$ 259,661</u>	<u>\$ -</u>	<u>\$ 138,590</u>	<u>\$ 447,007</u>

**TOWN OF LIBERTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2020

	Downtown Revitalization Fund	Capital Reserve Fund	Police Department Building Capital Project Fund	Library Permanent Fund	Total Non-major Governmental Funds
<b>Revenues:</b>					
Restricted Intergovernmenta	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earning:	-	-	-	2,206	2,206
<b>Total Revenues</b>	-	-	-	2,206	2,206
<b>Expenditures:</b>					
Economic and Physical Developmen	24,611	-	-	-	24,611
Capital Outlay	-	-	66,625	-	66,625
<b>Total Expenditures</b>	24,611	-	66,625	-	91,236
<b>Revenues Over (Under) Expenditures</b>	(24,611)	-	(66,625)	2,206	(89,030)
<b>Other Financing Sources (Uses):</b>					
Transfers From Other Funds					
General Fund	-	-	94,457	-	94,457
Transfers to Other Funds					
General Fund	-	(8,073)	-	-	(8,073)
<b>Total Other Financing Sources (Uses)</b>	-	(8,073)	94,457	-	86,384
<b>Net Change in Fund Balances</b>	(24,611)	(8,073)	27,832	2,206	(2,646)
<b>Fund Balances, Beginning</b>	73,367	267,734	(27,832)	136,384	449,653
<b>Fund Balances, Ending</b>	\$ 48,756	\$ 259,661	\$ -	\$ 138,590	\$ 447,007



**TOWN OF LIBERTY, NORTH CAROLINA**  
**CAPITAL PROJECT CAPITAL RESERVE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses):</b>			
Transfer From Other Funds			
General Fund	\$ 8,000	\$ -	\$ (8,000)
Transfer to Other Funds			
General Fund	<u>(274,509)</u>	<u>(8,073)</u>	<u>266,436</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(266,509)</u>	<u>(8,073)</u>	<u>258,436</u>
<b>Appropriated Fund Balance</b>	<u>266,509</u>	<u>-</u>	<u>(266,509)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(8,073)</u>	<u>\$ (8,073)</u>
<b>Fund Balance, Beginning</b>		<u>267,734</u>	
<b>Fund Balance, Ending</b>		<u>\$ 259,661</u>	

**TOWN OF LIBERTY, NORTH CAROLINA**  
**DOWNTOWN REVITALIZATION SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception and For the Fiscal Year Ended June 30, 202

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted Intergovernmental					
N.C. Department of Commerce Grant	\$ 140,000	\$ 140,000	\$ -	\$ 140,000	\$ -
<b>Expenditures:</b>					
Economic and Physical Development					
Duke Energy	116,594	55,797	12,366	68,163	48,431
Charter - Spectrum	10,836	10,836	-	10,836	-
Sidewalk	16,070	-	8,600	8,600	7,470
Storefront Conversion	6,500	-	3,645	3,645	2,855
<b>Total Expenditures</b>	<u>150,000</u>	<u>66,633</u>	<u>24,611</u>	<u>91,244</u>	<u>58,756</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(10,000)</u>	<u>73,367</u>	<u>(24,611)</u>	<u>48,756</u>	<u>58,756</u>
<b>Other Financing Sources:</b>					
Transfers From Other Funds					
General Fund	10,000	-	-	-	(10,000)
<b>Total Other Financing Sources</b>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
<b>Net Change in Fund Balance</b>	\$ <u>-</u>	\$ <u>73,367</u>	(24,611)	\$ <u>48,756</u>	\$ <u>48,756</u>
<b>Fund Balance, Beginning</b>			<u>73,367</u>		
<b>Fund Balance, Ending</b>			\$ <u>48,756</u>		

**TOWN OF LIBERTY, NORTH CAROLINA**  
**POLICE DEPARTMENT BUILDING CAPITAL PROJECT FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures:</b>					
Administration	\$ 72,857	\$ 27,832	\$ 45,025	\$ 72,857	\$ -
Architecture	14,400	-	14,400	14,400	-
Environmental	7,200	-	7,200	7,200	-
Construction	-	-	-	-	-
Other	-	-	-	-	-
Advertising	-	-	-	-	-
Survey	-	-	-	-	-
Contingency	-	-	-	-	-
<b>Total Expenditures</b>	<u>94,457</u>	<u>27,832</u>	<u>66,625</u>	<u>94,457</u>	<u>-</u>
<b>Other Financing Sources:</b>					
USDA Loan	-	-	-	-	-
Transfers From Other Funds:					
General Fund	<u>94,457</u>	<u>-</u>	<u>94,457</u>	<u>94,457</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>94,457</u>	<u>-</u>	<u>94,457</u>	<u>94,457</u>	<u>-</u>
<b>Other Financing Sources</b>					
<b>Over (Under) Expenditures</b>	\$ <u>-</u>	\$ <u>(27,832)</u>	27,832	\$ <u>-</u>	\$ <u>-</u>
<b>Fund Balance, Beginning</b>			<u>(27,832)</u>		
<b>Fund Balance, Ending</b>			\$ <u>-</u>		

**TOWN OF LIBERTY, NORTH CAROLINA**  
**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating Revenues:			
Water and Sewer Charges	\$	\$ 863,111	\$
Taps and Connection Fees		44,445	
Other Operating Revenues		9,490	
Total Operating Revenues	<u>941,001</u>	<u>917,046</u>	<u>(23,955)</u>
Nonoperating Revenues:			
Interest Earned on Investments	1,000	6,839	5,839
Golden Leaf Foundation Grant	<u>493,779</u>	<u>48,250</u>	<u>(445,529)</u>
Total Nonoperating Revenues	<u>494,779</u>	<u>55,089</u>	<u>(439,690)</u>
<b>Total Revenues</b>	<u>1,435,780</u>	<u>972,135</u>	<u>(463,645)</u>
<b>Expenditures:</b>			
Water and Sewer Administration:			
Salaries and Employee Benefits		168,261	
Telephone and Postage		2,347	
Insurance		57,365	
Maintenance and Supplies		6,751	
Contracted Services		31,031	
Other Operating Expenditures		15,388	
Total	<u>301,720</u>	<u>281,143</u>	<u>20,577</u>
Water:			
Salaries and Employee Benefits		74,520	
Telephone and Postage		7,621	
Utilities		36,269	
Maintenance		154,265	
Supplies		1,922	
Contracted Services		15,915	
Other Operating Expenditures		15,634	
Total	<u>399,157</u>	<u>306,146</u>	<u>93,011</u>
Sewer:			
Salaries and Employee Benefits		162,281	
Telephone and Postage		6,222	
Utilities		40,444	
Maintenance		108,820	
Supplies		2,261	
Contracted Services		13,610	
Other Operating Expenditures		11,272	
Total	<u>\$ 921,715</u>	<u>\$ 344,910</u>	<u>\$ 576,805</u>

**TOWN OF LIBERTY, NORTH CAROLINA**  
**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Concluded):</b>			
Debt Service:			
Principal on Notes	\$ <u>6,065</u>	\$ <u>6,064</u>	\$ <u>1</u>
Capital Outlay:			
Water		43,350	
Sewer		<u>18,000</u>	
Total	<u>61,350</u>	<u>61,350</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,690,007</u>	<u>999,613</u>	<u>690,394</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(254,227)</u>	<u>(27,478)</u>	<u>226,749</u>
<b>Other Financing Sources (Uses):</b>			
Transfer From Other Funds:			
Water and Sewer Capital Reserve Fund	226,500	-	(226,500)
Transfer to Other Funds:			
Water and Sewer Capital Reserve Fund	(182,683)	-	182,683
CDBG Wastewater Collection System Fund	(6,000)	-	6,000
Insurance Recovery	19,936	30,280	10,344
Sale of Capital Assets	<u>5,000</u>	<u>12,150</u>	<u>7,150</u>
<b>Total Other Financing Sources (Uses)</b>	<u>62,753</u>	<u>42,430</u>	<u>(20,323)</u>
<b>Appropriated Fund Balance</b>	<u>191,474</u>	<u>-</u>	<u>(191,474)</u>
<b>Revenues and Other Sources Over Expenditures and Other Uses</b>	\$ <u>-</u>	\$ <u>14,952</u>	\$ <u>14,952</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
<b>Revenues and Other Sources Over Expenditures and Other Uses</b>		\$ <u>14,952</u>	
Payment of Note Principal		6,064	
Decrease in Accrued Compensated Absences		2,656	
Decrease in Deferred Outflows of Resources- Pension		(11,526)	
Increase in Net Pension Liability		(10,545)	
Increase in Deferred Inflows of Resources- Pension		(1,816)	
Capital Contributions - Grants		201,341	
Capital Outlay		61,350	
Depreciation		<u>(260,547)</u>	
<b>Total Reconciling Items</b>		<u>(13,023)</u>	
<b>Change in Net Position</b>		\$ <u>1,929</u>	

**TOWN OF LIBERTY, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL RESERVE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Investment Earnings	\$ 1,000	\$ -	\$ (1,000)
<b>Total Revenues</b>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>Expenditures:</b>			
Capital Outlay	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers From Other Funds:			
Water and Sewer Fund	2,500	-	(2,500)
Transfers to Other Funds:			
Water and Sewer Fund	<u>(226,500)</u>	<u>-</u>	<u>226,500</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(224,000)</u>	<u>-</u>	<u>224,000</u>
<b>Appropriated Fund Balance</b>	<u>223,000</u>	<u>-</u>	<u>(223,000)</u>
<b>Revenues and Other Sources Over (Under) Expenditures Expenditures and Other Uses</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance, Beginning</b>		<u>216,612</u>	
<b>Fund Balance, Ending</b>		<u>\$ 216,612</u>	

**TOWN OF LIBERTY, NORTH CAROLINA**  
**CDBG WASTEWATER COLLECTION SYSTEM PROJECT FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted Intergovernmental:					
Community Development Block Grant	\$ 2,000,000	\$ -	\$ 201,341	\$ 201,341	\$ (1,798,659)
<b>Expenditures:</b>					
Administration	200,000	-	201,254	201,254	(1,254)
Sewer Improvements	1,788,000	-	-	-	1,788,000
Rehabilitation	18,000	-	-	-	18,000
<b>Total Expenditures</b>	<u>2,006,000</u>	<u>-</u>	<u>201,254</u>	<u>201,254</u>	<u>1,804,746</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(6,000)</u>	<u>-</u>	<u>87</u>	<u>87</u>	<u>6,087</u>
<b>Other Financing Sources:</b>					
Transfers From Other Funds:					
Water and Sewer Fund	6,000	-	-	-	(6,000)
<b>Total Other Financing Sources</b>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>
<b>Revenues and Other Financing Sources Over Expenditures</b>	\$ <u>-</u>	\$ <u>-</u>	87	\$ <u>87</u>	\$ <u>87</u>
<b>Fund Balance, Beginning</b>			-		
<b>Fund Balance, Ending</b>			\$ <u>87</u>		

**TOWN OF LIBERTY, NORTH CAROLINA****SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 1,257,139	\$ 1,238,744	\$ 18,395
2018-2019	16,051	-	10,318	5,733
2017-2018	6,716	-	4,520	2,196
2016-2017	2,039	-	219	1,820
2015-2016	1,418	-	202	1,216
2014-2015	1,058	-	161	897
2013-2014	1,130	-	150	980
2012-2013	791	-	20	771
2011-2012	760	-	-	760
2010-2011	607	-	-	607
2009-2010	449	-	449	-
	<u>\$ 31,019</u>	<u>\$ 1,257,139</u>	<u>\$ 1,254,783</u>	<u>33,375</u>
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable				<u>(3,000)</u>
Ad Valorem Taxes Receivable (Net)				<u>\$ 30,375</u>
Reconciliation With Revenues:				
Ad Valorem Taxes Collected-General Fund			\$ 1,254,794	
Interest/Penalties Collected			(3,995)	
Discounts Allowed			13,865	
Taxes Written Off			449	
Releases and Adjustments			<u>(10,330)</u>	
Total Collections and Credits			<u>\$ 1,254,783</u>	



**TOWN OF LIBERTY, NORTH CAROLINA****ANALYSIS OF CURRENT TAX LEVY****TOWN-WIDE LEVY**

For the Fiscal Year Ended June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at Current Year's Rate	\$ 198,384,672	0.64	\$ 1,269,662	\$ 1,131,737	\$ 137,925
Motor Vehicles Taxed at Prior Year's Rate	-	0.64	-	-	-
<b>Total Original Levy</b>	<u>198,384,672</u>		<u>1,269,662</u>	<u>1,131,737</u>	<u>137,925</u>
<b>Discoveries:</b>					
Current Year Taxes	490,788	0.64	3,141	3,141	-
Prior Year Taxes	<u>229,108</u>	0.64	<u>1,466</u>	<u>1,466</u>	<u>-</u>
<b>Total Discoveries</b>	<u>719,896</u>		<u>4,607</u>	<u>4,607</u>	<u>-</u>
<b>Abatements</b>	<u>(2,676,538)</u>		<u>(17,130)</u>	<u>(17,130)</u>	<u>-</u>
<b>Total Property Valuation</b>	<u>\$ 196,428,030</u>				
Net Levy			1,257,139	1,119,214	137,925
Uncollected Taxes at June 30, 2020			<u>(18,395)</u>	<u>(18,054)</u>	<u>(341)</u>
Current Year's Taxes Collected			\$ <u>1,238,744</u>	\$ <u>1,101,160</u>	\$ <u>137,584</u>
Current Levy Collection Percentage			<u>98.54%</u>	<u>98.39%</u>	<u>99.75%</u>



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**Report on Compliance and Other Matters and on Internal Control Over  
Financial Reporting 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 Council  
Liberty, North Carolina

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Liberty, 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 Liberty's basic financial statements, and have issued my report thereon dated February 25, 2021. My report includes a reference to another auditor who audited the financial statements of the Town of Liberty ABC Board, as described in my report on the Town of Liberty's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by that auditor. The financial statements of the Town of Liberty ABC Board were not audited in accordance with *Government Auditing Standards*.

**Compliance and Other Matters.**

As part of obtaining reasonable assurance about whether the Town of Liberty's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting.**

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

Liberty's internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Liberty'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.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency as item 2020-1.

**Town of Liberty's Response to Finding.**

The Town of Liberty's response to the finding identified in my audit is 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, I express no opinion on it.

**Purpose of this Report.**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Liberty'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 Town of Liberty's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 25, 2021

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC  
Asheboro, North Carolina

**TOWN OF LIBERTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2020

Section I. Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	<u>  X  </u>	no
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Significant deficiency(s) identified that are not considered to be material weaknesses	<u>  X  </u>	yes	_____	none reported
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Noncompliance material to financial statements noted	_____	yes	<u>  X  </u>	no
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**TOWN OF LIBERTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES (Concluded)**

For the Year Ended June 30, 2020

Section II. Findings Related to the Audit  
of the Basic Financial Statements

Significant Deficiency:

Finding 2020-1: Expenditures Exceeding Appropriations

*Criteria* : Pursuant to G.S 159-28(a); "No obligations may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated for the current fiscal year.

*Condition* : Expenditures were incurred in the sanitation and cemetery departments of the General Fund in excess of budgeted amounts by \$9,746 and \$4,874, respectively.

*Effect* : Obligations incurred for eligible expenditures without sufficient resources available.

*Cause* : Obligations incurred prior to sufficient resources being appropriated

*Recommendation* : Management should review budget to actual reports more closely to amend the budget

*Management Response* : The Town of Liberty agrees with this finding.



**Town of Liberty**  
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**TOWN OF LIBERTY, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN**

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

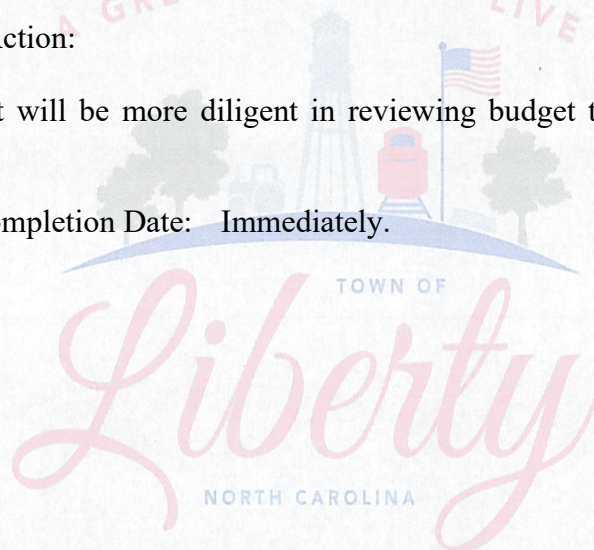
**Finding 2020-1: Expenditures Exceeding Appropriations**

**A Name of Contact Person:** Kathy Bond, Finance Officer

**B. Corrective Action:**

Management will be more diligent in reviewing budget to actual reports to timely amend the budget.

**C. Proposed Completion Date:** Immediately.



**TOWN OF LIBERTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For the Year Ended June 30, 2020

Section II. Financial Statement Findings

2019-01:

Status: Corrected.