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**Town of Littleton**

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**Littleton, North Carolina**

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**Audit Report**

**June 30, 2020**

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# TOWN OF LITTLETON

## LITTLETON, NORTH CAROLINA

### TOWN OFFICIALS

#### Mayor

K. Owen Scott

#### Town Commissioners

D. Lynn Moseley

Gerleen Pitchford

Bonita Knight

Steve Bercelo

Ophelia Gould-Faison

#### Town Clerk

Ellen Eller

Town of Littleton, North Carolina  
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June 30, 2020

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# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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## **Independent Auditor's Report**

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

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

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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.

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

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

### **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each

*Member:*

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants  
AICPA – Governmental Audit Quality Center

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major fund, and the aggregate remaining funds of Town of Littleton, North Carolina as of June 30, 2020, and the respective changes in financial position, and, cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America

### **Other Matters**

#### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Littleton, North Carolina. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standard***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of the Town of Littleton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Littleton's internal control over financial reporting and compliance.

*Larry E. Carpenter, CPA, PA*

Greenville, NC  
November 30, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Management's Discussion and Analysis

As management of the Town of Littleton, we offer readers of the Town of Littleton's financial statements this narrative overview and analysis of the financial activities of the Town of Littleton 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***

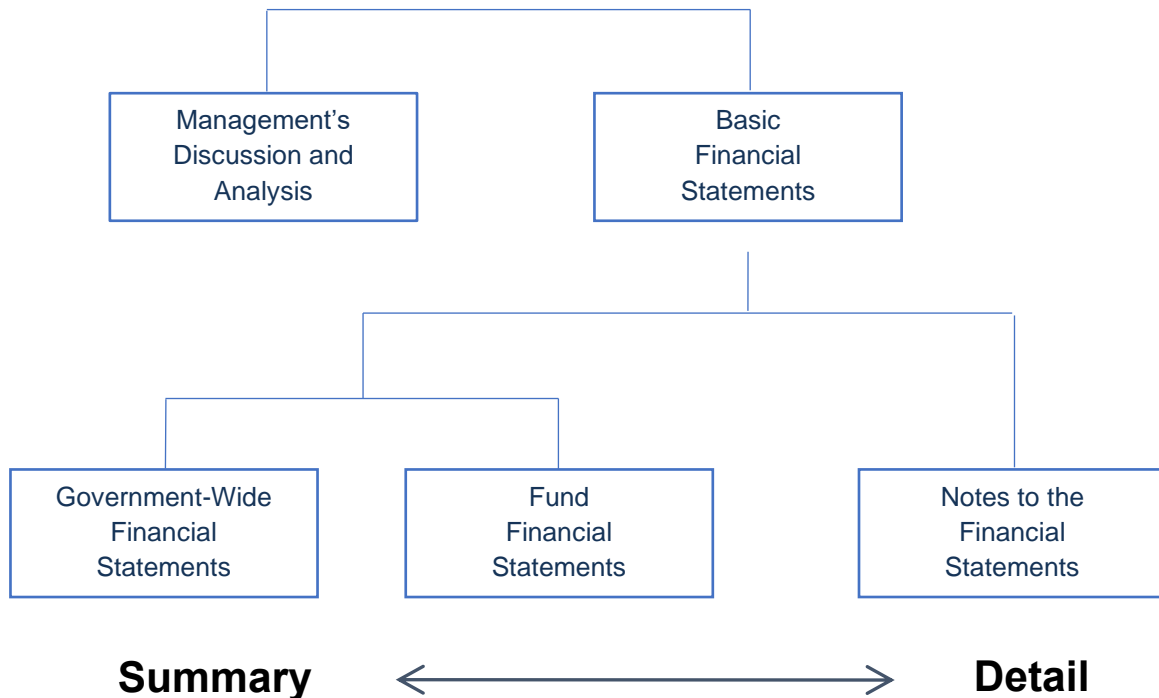
- The assets and deferred outflows of resources of the Town of Littleton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,522,680 (*net position*).
- The government's total net position increased by \$368,461 primarily due to a decrease in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Littleton's governmental funds reported an ending fund balance of \$546,034 with a net decrease of \$104,046 in fund balance. Approximately 58.73% percent of this total amount, or \$320,663, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$320,663 or 38.13% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had restricted reserves of \$194,412.
- The Town of Littleton's total debt decreased by \$12,710 or (-4.38%) during the current fiscal year.

### ***Overview of the Financial Statements***

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

## Components of the Annual Financial Report

Figure 1:



### Basic Financial Statements

The first two statements (Exhibits A-1 and A-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 A-3 through A-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 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, cultural 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 Littleton.

The government-wide financial statements are on Exhibits A-1 and A-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 Littleton, 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 Littleton can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Littleton 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 Town Council; 2) the final budget as amended by the Town Council; 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 Littleton has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Littleton uses enterprise funds to account for its water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 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 Littleton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

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

### Town of Littleton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 611,977	\$ 434,467	\$ 761,286	\$ 265,379	\$ 1,373,263	\$ 699,846
Pension assets						
Capital assets	1,090,005	984,516	4,594,765	4,770,408	5,684,770	5,754,924
Deferred outflows of resources	46,144	44,845	36,236	35,239	82,380	80,084
Total assets and deferred outflows of resources	1,748,126	1,484,849	5,392,287	5,809,409	7,140,413	6,534,854
Current liabilities	33,663	33,289	55,452	64,655	89,115	97,944
Noncurrent liabilities	97,073	73,900	55,998	37,789	153,071	111,689
Deferred inflows of resources	332	692	260	543	592	1,235
Total liabilities and deferred inflow of resources	131,068	115,829	111,710	469,864	242,778	210,868
Net investment in capital assets	894,270	949,203	4,380,512	4,530,985	5,274,782	5,480,188
Restricted	225,361	109,687	-	-	225,361	109,687
Unrestricted	310,480	267,322	712,057	222,801	1,022,537	490,123
Total net position	\$1,430,111	\$1,326,212	\$5,092,569	\$4,753,786	\$ 6,522,680	\$ 6,079,998

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Littleton exceeded liabilities by \$6,522,680 as of June 30, 2020. The Town's net position increased by \$368,461 for the fiscal year ended June 30, 2020. However, the largest portion, \$5,274,782 or 80.87%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Littleton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Littleton'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 Littleton's net position, \$132,209 or 0.09% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,022,537 or 30.36% is unrestricted.

**Town of Littleton's Changes in Net Position**  
**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 102,026	\$ 21,295	\$ 345,015	\$ 387,621	\$ 447,041	\$ 408,916
Operating grants and contributions	22,898	23,642	-	-	22,898	23,642
Capital grants and contributions	161,000	-	-	-	161,000	-
General revenues:						
Property taxes	318,796	267,360			318,796	267,360
Other taxes	169,958	169,308			169,958	169,308
Unrestricted intergovernmental	-	-			-	-
Investment earnings	3,363	6,289	2,208	4,428	5,571	10,717
Other	5,995	24,290	589,905	10,534	595,900	34,824
Total revenues	<u>784,036</u>	<u>583,070</u>	<u>937,128</u>	<u>441,352</u>	<u>1,721,164</u>	<u>914,767</u>
<b>Expenses:</b>						
General government	247,372	182,138			247,372	182,138
Public safety	379,853	243,188			379,853	243,188
Transportation	83,380	70,937			83,380	70,937
Economic and physical development	-	-			-	-
Environmental protection	-	-			-	-
Culture and recreation	42,817	38,424			42,817	38,424
Interest on long-term debt	936	959			936	959
Water and sewer			598,345	558,516	598,345	558,516
Total expenses	<u>754,358</u>	<u>456,886</u>	<u>598,345</u>	<u>553,832</u>	<u>1,352,703</u>	<u>1,094,162</u>
Increase in Net Position before transfers	29,678	126,184	338,783	(112,480)	368,461	13,704
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	29,678	126,184	338,783	(112,480)	368,461	13,704
Net Position, July 1	1,400,433	1,349,674	4,753,786	4,909,719	6,154,219	6,259,393
Net Position, June 30	<u>\$1,430,111</u>	<u>\$1,475,858</u>	<u>\$5,092,569</u>	<u>\$4,797,239</u>	<u>\$ 6,522,680</u>	<u>\$6,273,097</u>

**Governmental Activities:** Governmental activities increased the Town net assets by \$29,678. Key elements of the increase are as follows:

- Tax Revenues remained steady
- Grants and Contributions totaling \$161,000 during the year.

**Business-type activities:** Business-type activities increased the Town of Littleton's net position by \$338,783, accounting for (11.42%) of the decrease in the government's net assets.

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

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

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

The general fund is the chief operating fund of the Town of Littleton. At the end of the current fiscal year, the Town of Littleton's fund balance available in the General Fund was \$320,663, while total fund balance reached \$546,034. The Town currently has an available fund balance of 38.13% of general fund expenditures, while total fund balance represents 65.07% of the same amount.

At June 30, 2020, the governmental funds of the Town of Littleton reported a combined fund balance of \$546,024 with a net decrease in fund balance of \$104,046.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

### **General Fund Budgetary Highlights**

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

### **Proprietary funds**

The Town of Littleton'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 \$5,092,569. The total decrease in net position was \$338,783.

## Capital Asset and Debt Administration

**Capital assets.** The Town of Littleton's investment in capital assets for its governmental and business—type activities as of June 30, 2020, totals \$5,684,770 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

### Town of Littleton's Capital Assets (Net of Accumulated Depreciation)

Figure 4

Town of Littleton's Capital Assets  
(Net of Depreciation)  
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 27,915	\$ 27,915	\$ 1,500	\$ 1,500	\$ 29,415	\$ 29,415
Buildings	929,074	929,074	48,825	48,825	977,899	977,899
Equipment	44,681	12,181	156,126	156,126	200,807	168,307
Vehicles	86,757	79,257	7,218	7,218	93,975	86,475
Improvements	307,390	195,811	656,080	656,080	963,470	851,891
Plant and distribution system	-	-	7,227,037	7,227,037	7,227,037	7,227,037
Subtotal	1,395,817	1,244,238	8,096,786	8,096,786	9,492,603	9,341,024
Accumulated depreciation	(305,812)	(259,723)	(3,502,021)	(3,326,378)	(3,807,833)	(3,586,101)
Capital assets, net	<u>\$1,090,005</u>	<u>\$ 984,515</u>	<u>\$4,594,765</u>	<u>\$4,770,408</u>	<u>\$5,684,770</u>	<u>\$5,754,923</u>

## Long-term Debt.

As of June 30, 2020, the Town of Littleton had total debt outstanding of \$409,736.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Additional information regarding the Town of Littleton's long-term debt can be found beginning on page 38 of this report.

**Town of Littleton  
General Obligations and Loans  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$145,000	\$ 164,000	\$145,000	\$ 164,000
Other Loans	-	-	39,517	43,310	39,517	43,310
USDA Loans	195,735	32,313	29,735	32,313	225,470	64,626
Pension Related Debt (LGERS)	71,263	48,090	55,998	37,789	127,261	85,879
Pension Related Debt (LEO)	25,810	25,810	-	-	25,810	25,810
<b>Total</b>	<b>\$292,808</b>	<b>\$ 106,213</b>	<b>\$270,250</b>	<b>\$ 277,412</b>	<b>\$563,058</b>	<b>\$ 383,625</b>

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

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

- Minimal growth in General Fund revenues is expected until there is improvement in the State and/or National economy.

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

**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:

**Town Clerk  
Town of Littleton  
PO Box 87  
Littleton, North Carolina**



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Town of Littleton, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 345,508	\$ 705,565	\$ 1,051,073
Taxes receivable, net	41,108	--	41,108
Accounts receivable, net	30,949	30,824	61,773
Restricted cash and cash equivalents	194,412	24,897	219,309
<b>Total Current Assets</b>	<b>611,977</b>	<b>761,286</b>	<b>1,373,263</b>
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	27,915	1,500	29,415
Other capital assets, net of depreciation	1,062,090	4,593,265	5,655,355
<b>Total Assets</b>	<b>1,701,982</b>	<b>5,356,051</b>	<b>7,058,033</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	46,114	36,236	82,350
<b>Total Deferred Outflows of Resources</b>	<b>46,114</b>	<b>36,236</b>	<b>82,350</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	24,845	4,310	29,155
Customer deposits	--	24,897	24,897
Current portion of long-term debt	8,818	26,245	35,063
<b>Total Current Liabilities</b>	<b>33,663</b>	<b>55,452</b>	<b>89,115</b>
Due in more than one year	186,917	188,008	374,925
Total pension liability (LEO)	25,810	--	25,810
Net pension liability (LGERS)	71,263	55,998	127,261
<b>Total Liabilities</b>	<b>317,653</b>	<b>299,458</b>	<b>617,111</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	332	260	592
<b>Total Deferred Inflows of Resources</b>	<b>332</b>	<b>260</b>	<b>592</b>
<b>NET POSITION</b>			
Net investment in capital assets	894,270	4,380,512	5,274,782
<i>Restricted for:</i>			
Cemetery perpetual care	93,152	--	93,152
Stabilization by State Statute	30,949	--	30,949
Streets	101,260	--	101,260
<i>Unrestricted</i>	310,480	712,057	1,022,537
<b>Total Net Position</b>	<b>\$ 1,430,111</b>	<b>\$ 5,092,569</b>	<b>\$ 6,522,680</b>

The accompanying notes are an integral part of this financial statement.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	247,372	4,077	--	61,000	(182,295)	--	(182,295)
Public safety	\$ 379,853	\$ 10,484	\$ --	\$ 100,000	\$ (269,369)	\$ --	\$ (269,369)
Transportation	83,380	--	22,898	--	(60,482)	--	(60,482)
Cultural and recreational	42,817	87,465	--	--	44,648	--	44,648
Interest and other charges	936	--	--	--	(936)	--	(936)
<b>Total Governmental Activities</b>	<b>754,358</b>	<b>102,026</b>	<b>22,898</b>	<b>161,000</b>	<b>(468,434)</b>	<b>--</b>	<b>(468,434)</b>
<b>Business-type Activities:</b>							
Water & Sewer Fund	598,345	345,015	--	--	--	(253,330)	(253,330)
<b>Total Business-type Activities</b>	<b>598,345</b>	<b>345,015</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(253,330)</b>	<b>(253,330)</b>
<b>Total Primary Government</b>	<b>\$ 1,352,703</b>	<b>\$ 447,041</b>	<b>\$ 22,898</b>	<b>\$ 161,000</b>	<b>\$ (468,434)</b>	<b>\$ (253,330)</b>	<b>\$ (721,764)</b>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
Ad valorem taxes					318,796	--	318,796
Unrestricted intergovernmental					169,958	--	169,958
Insurance recovery					--	586,250	586,250
Investment earnings					3,363	2,208	5,571
Miscellaneous Income					5,995	3,655	9,650
<b>Transfers</b>					--	--	--
<b>Total General Revenues and Transfers</b>					<b>498,112</b>	<b>592,113</b>	<b>1,090,225</b>
<b>Change in Net Position</b>					<b>29,678</b>	<b>338,783</b>	<b>368,461</b>
<i>Net Position at Beginning of Period</i>					1,400,433	4,753,786	6,154,219
<b>Net Position at End of Period</b>					<b>\$ 1,430,111</b>	<b>\$ 5,092,569</b>	<b>\$ 6,522,680</b>

The accompanying notes are an integral part of this financial statement.

## **FUND FINANCIAL STATEMENTS**

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

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 345,508
Taxes receivable, net	41,108
Accounts receivable, net	30,949
Restricted cash and cash equivalents	194,412
<b>Total Assets</b>	<b>611,977</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 611,977</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 24,845
<b>Total Liabilities</b>	24,845
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	41,108
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>65,953</b>
<b>FUND BALANCE</b>	
Restricted	
Cemetery perpetual care	93,152
Stabilization by State Statute	30,949
Streets	101,260
Unassigned	320,663
<b>Total Fund Balance</b>	546,024
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 611,977</b>

The accompanying notes are an integral part of this financial statement.

**Town of Littleton, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

Amounts reported for governmental activities in the Statement of Ne Position are different because:

Total Fund Balance - Governmental Funds	\$	546,024
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,090,005
Net Pension Liability		(97,073)
Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds.		(8,818)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		(186,917)
Deferred outflows of resources related to pensions are not reported in the funds		46,114
Deferred inflows of resources related to pensions are not reported in the funds		(332)
Earned revenues considered deferred inflows of resources in fund statements.		41,108
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>1,430,111</u></b>

*The accompanying notes are an integral part of this financial statement.*

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

	<b>Major Fund</b>
	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes	\$ 313,687
Unrestricted intergovernmental	169,958
Restricted intergovernmental	22,898
Sales and services	101,426
Grants & contributions	161,000
Miscellaneous Income	6,594
Investment earnings	3,363
<b>Total Revenues</b>	<b>778,926</b>
<b>Expenditures</b>	
General government	191,917
Public safety	506,406
Transportation	81,381
Cultural and recreational	57,662
Principal	2,578
Interest and other charges	936
<b>Total Expenditures</b>	<b>840,880</b>
<b>(Under) Expenditures</b>	<b>(61,954)</b>
Proceeds from loans	166,000
<b>Net Other Financing Sources (Uses)</b>	<b>166,000</b>
<b>Net Change in Fund Balance</b>	<b>104,046</b>
<i>Fund Balance at Beginning of Period</i>	<i>441,978</i>
<b>Fund Balance at End of Period</b>	<b>\$ 546,024</b>

The accompanying notes are an integral part of this financial statement.



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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 104,046
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, however, 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.	(163,422)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	105,489
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	5,109
Pension expense	(21,544)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$ 29,678</b>

*The accompanying notes are an integral part of this financial statement.*

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 264,350	\$ 264,350	\$ 313,687	\$ 49,337
Unrestricted intergovernmental	166,050	166,050	169,958	3,908
Restricted intergovernmental	23,641	90,806	22,898	(67,908)
Charges for Sales & Services	91,934	91,934	101,426	9,492
Grants and contributions	178,707	159,569	161,000	1,431
Miscellaneous Income	8,300	8,300	6,594	(1,706)
Investment earnings	4,680	4,680	3,363	(1,317)
<b>Total Revenues</b>	<b>737,662</b>	<b>785,689</b>	<b>778,926</b>	<b>(6,763)</b>
<b>Expenditures</b>				
General government	128,981	196,819	191,917	4,902
Public Safety	640,691	636,387	506,406	129,981
Transportation	178,432	148,860	81,381	67,479
Cultural and recreation	39,683	63,568	57,662	5,906
Principal	2,578	2,578	2,578	--
Interest and other charges	936	936	936	--
<b>Total Expenditures</b>	<b>991,301</b>	<b>1,049,148</b>	<b>840,880</b>	<b>208,268</b>
<b>Other Financing Uses</b>				
Appropriations	(87,639)	(97,459)	--	(97,459)
Loan proceeds	(166,000)	(166,000)	(166,000)	--
<b>Total Expenditures and Other Financing Uses</b>	<b>737,662</b>	<b>785,689</b>	<b>674,880</b>	<b>110,809</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>--</b>	<b>--</b>	<b>104,046</b>	<b>104,046</b>
<b>Net Change in Fund Balance</b>	<b>\$ --</b>	<b>\$ --</b>	<b>104,046</b>	<b>\$ 104,046</b>
<i>Fund Balance at Beginning of Period</i>			441,978	
<b>Fund Balance at End of Period</b>			<b>\$ 546,024</b>	

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

**Town of Littleton, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	<b>Business-type Activities -</b>
	<b>Water and Sewer</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 705,565
Accounts receivable, net	30,824
Restricted cash and cash equivalents	24,897
<b>Total Current Assets</b>	<b>761,286</b>
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	1,500
Other capital assets, net of depreciation	4,593,265
<b>Total Assets</b>	<b>5,356,051</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	36,236
<b>Total Deferred Outflows of Resources</b>	<b>36,236</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	4,310
Customer deposits	24,897
Current portion of long-term debt	26,245
<b>Total Current Liabilities</b>	<b>55,452</b>
<i>Noncurrent Liabilities</i>	
Due in more than one year	188,008
Net pension liability (LGERS)	55,998
<b>Total Liabilities</b>	<b>299,458</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	260
<b>Total Deferred Inflows of Resources</b>	<b>260</b>
<b>NET POSITION</b>	
Net investment in capital assets	4,380,512
<i>Unrestricted</i>	712,057
<b>Total Net Position</b>	<b>\$ 5,092,569</b>

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

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

	<b>Business-type Activities -</b>
	<b>Water and Sewer</b>
<b>Operating Revenues</b>	
Sales and services	\$ 348,015
Miscellaneous Income	655
<b><i>Total Operating Revenues</i></b>	<b>348,670</b>
<b>Operating Expenses</b>	
Water and sewer operations	412,763
Depreciation	175,643
<b><i>Total Operating Expenses</i></b>	<b>588,406</b>
<b><i>Operating Income (Loss)</i></b>	<b>(239,736)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Insurance recovery	586,250
Investment earnings	2,208
Interest and other charges	(9,939)
<b><i>Change In Net Position</i></b>	<b>338,783</b>
<b><i>Net Position at End of Period</i></b>	<b>\$ 5,092,569</b>

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

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

	<b>Business-type Activities</b>
	<b>Water &amp; Sewer</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 374,681
Cash paid for goods and services	( 311,380 )
Cash paid to/on behalf of employees	( 100,180 )
Customer deposits, net	5,448
Other operating revenue	655
Net cash provided (used) by operating activities	(30,776)
 <b>Cash Flows from Noncapital Financing Activities:</b>	 -
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Insurance recovery	586,250
Principal repaid on long-term debt	( 25,170 )
Interest paid on long-term debt	( 9,939 )
Net cash provided (used) by capital and related financing activities	551,141
 <b>Cash Flows from Investing Activities:</b>	
Investment income received	2,208
Net increase (decrease) in cash and cash equivalents	522,573
 <b>Cash and Cash Equivalents - Beginning of Year</b>	207,889
<b>Cash and Cash Equivalents - End of Year</b>	\$ 730,462
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (239,736)
Depreciation	175,643
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	26,666
Increase (decrease) in accounts payable and accrued liabilities	( 15,726 )
Increase (decrease) in customer deposits	5,448
Increase in net pension liability	18,209
Increase in deferred outflows of resources for pensions	( 997 )
Decrease in deferred inflows of resources for pensions	( 283 )
Net cash provided (used) by operating activities	\$ (30,776)

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

## **Notes To The Financial Statements**

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

**NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Littleton 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 Littleton is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

***B. Basis of Presentation***

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

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

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

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

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

The Town reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for streets and highways, public safety, and general government services.

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. Water & Sewer Capital Projects are consolidated with operations for financial reporting purposes.

***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 fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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



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

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

***D. Budgetary Data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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

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

***1. Deposits and Investments***

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

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

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

***Restricted Assets***

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

***2. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. 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.

***3. 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 year.

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

**4. Inventory & Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**5. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Infrastructure	20
Buildings	30
Improvements	25
Vehicles	5
Furniture and equipment	7-10
Computer equipment	3
Computer software	5

**6. 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, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one items that meet the criterion for this category—property taxes receivable

**7. 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

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

governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**8. *Compensated Absences***

The vacation policy of the Town provides that after 12 months service, a full-time worker will have accrued one week of vacation and sick leave. Up to one week of both sick leave and vacation can be carried over if unused. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences are recorded as the leave is earned.

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

**9. *Net Position/Fund Balances***

***Net Position***

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

***Fund Balances***

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

*Perpetual maintenance* – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Littleton Cemetery.

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

**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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*Restricted for Stabilization by State Statute* — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]

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

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

*Assigned Fund Balance* — portion of fund balance that the Town of Littleton intends to use for specific purposes.

*Subsequent years' expenditures*— portion of fund balance that is appropriated in the next years' 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.

## **10. Pensions**

For purposes of measuring the net pension asset, 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 Littleton employer contributions are recognized when due and the Town of Littleton 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 II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**1. Noncompliance with North Carolina General Statutes**  
NONE

**2. Contractual Violations**  
NONE

**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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**3. Deficit in Fund Balance or Net Position of Individual Funds**

NONE

**4. Excess of Expenditures over Appropriations**

NONE

**NOTE III — DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$816,562 and a bank balance of \$809,062. Of the bank balance, 282,350 was covered by federal depository insurance. Petty cash was \$197.

**2. Investments**

At June 30, 2020, the Town of Littleton had \$453,623 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

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

**3. Receivables — Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 500
Accounts receivable	-
Total	<u>500</u>
Enterprise Fund:	
Customer receivables	
Other receivables	-
Total	<u>-</u>
Grand Total	<u>\$ 500</u>

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

**3. Capital Assets**

**Governmental Capital Assets**

A summary of changes in the Town's capital assets used in governmental activities follows:

**General Fund Capital Assets**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 27,915	\$ -	\$ -	\$ 27,915
Total capital assets not being depreciated	<u>27,915</u>	<u>-</u>	<u>-</u>	<u>27,915</u>
<b>Capital assets being depreciated:</b>				
Buildings	929,074	-	-	929,074
Equipment	12,181	32,500	-	44,681
Vehicles	79,257	7,500	-	86,757
Improvements	195,811	124,645	13,066	307,390
Total capital assets being depreciated	<u>1,216,323</u>	<u>164,645</u>	<u>13,066</u>	<u>1,367,902</u>
<b>Less accumulated depreciation for:</b>				
Buildings	170,611	28,559	-	199,170
Equipment	2,610	3,365	-	5,975
Vehicles	74,706	2,476	-	77,182
Improvements	11,796	11,950	262	23,484
Total accumulated depreciation	<u>259,723</u>	<u>46,351</u>	<u>262</u>	<u>305,812</u>
Total capital assets being depreciated, net	<u>956,600</u>			<u>1,062,090</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 984,515</u>			<u>\$ 1,090,005</u>

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

General Government	\$ 33,909
Public Safety	5,592
Cultural & Recreation	4,850
Transportation	1,999
	<u>\$ 46,351</u>



**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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**Enterprise Fund Capital Assets**

Capital assets activity for the Enterprise Fund for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,500	\$ -	\$ -	\$ 1,500
Total capital assets not being depreciated	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
<b>Capital assets being depreciated:</b>				
Building	48,825	-	-	48,825
Equipment	156,126	-	-	156,126
Vehicles	7,218	-	-	7,218
Improvements	656,080	-	-	656,080
Plant and distribution system	7,227,037	-	-	7,227,037
Total capital assets being depreciated	<u>8,095,286</u>	<u>-</u>	<u>-</u>	<u>8,095,286</u>
<b>Less accumulated depreciation for:</b>				
Building	11,199	1,628	-	12,827
Equipment	101,398	6,419	-	107,817
Vehicles	2,226	722	-	2,948
Improvements	81,085	32,662	-	113,747
Plant and distribution system	3,130,470	134,212	-	3,264,682
Total accumulated depreciation	<u>3,326,378</u>	<u>\$ 175,643</u>	<u>\$ -</u>	<u>3,502,021</u>
Total capital assets being depreciated, net	<u>4,768,908</u>			<u>4,593,265</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 4,770,408</u>			<u>\$4,594,765</u>

**B. Liabilities**

**1. Pension Plan Obligations**

*a. Local Governmental Employees' Retirement System*

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

**Town of Littleton, North Carolina**  
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Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions* - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Littleton 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 Littleton's contractually required contribution rate for the year ended June 30, 2020, was 7.41% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Littleton were \$24,589 for the year ended June 30, 2020.

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

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

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

At June 30, 2020, the Town reported a liability of \$127,261 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, the Town's proportion was .00466% which was an decrease of .00104% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$63,062. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 21,790	\$ -
Changes of assumptions	20,741	-
Net difference between projected and actual earnings on pension plan investments	3,104	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,126	592
Employer contributions subsequent to the measurement date	24,589	-
Total	<b>\$ 82,350</b>	<b>\$ 592</b>

At June 30, 2020 \$24,589 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2020	\$ 27,813
2021	10,300
2022	13,836
2023	5,221
2024	-
Thereafter	-
	<b>\$ 57,170</b>

**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and Productivity factor
Investment rate of return	7.25 percent, net of pension plan investment Expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	<u>100.00%</u>	

**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Towns proportionate share of the net pension liability (asset)	291,069	127,261	(8,897)

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

*b. Law Enforcement Officers Special Separation Allowance*

*Plan Description.* The Town of Littleton administers a public employee retirement system (the "Separation Allowance"), which is a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. 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 GS 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, 2017, the Separation Allowance's membership consisted of:

**Town of Littleton, North Carolina  
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Retirees receiving benefits	0
Terminated plan members entitles to but not yet receiving benefits	0
Active plan members	2
Total	2

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

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

- contributions to the pension plan and earnings on those contributions are irrevocable.
- pension plan assets are dedicated to providing benefits to plan members.
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions.* The Town is required by Article 12D of GS 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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$4,095 as benefits came due for the reporting period.

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

At June 30, 2020 The Town reported a total pension liability of \$25,810. The total pension liability was measured as of December 31, 2019 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$598.

**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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		<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$	-	\$ \$ 11,287
Changes of assumptions		1,891	407
Town benefit payments and plan administrative expense made subsequent to the measurement date		-	-
Total	\$	<u>1,891</u>	<u>\$ 11,694</u>

\$1,891 reported as deferred outflows of resources related to pensions resulting from changes of assumptions. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$	451
2022		451
2023		451
2024		451
2025		451
Thereafter		<u>87</u>
	\$	2,342

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total Pension Liability	\$ 26,866	\$ 25,810	\$ 24,811

**Town of Littleton, North Carolina  
Notes to the Financial Statements  
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The plan currently uses mortality tables that vary by age and health stats (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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Littleton, North Carolina  
Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2019**

	<b>2020</b>
Beginning Balance	\$ 41,452
Service Cost	1,597
Interest on total pension liability	1,245
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(13,888)
Changes in assumptions or other inputs	(501)
Benefit payments	(4,095)
Other changes	-
Ending balance of total pension liability	\$ 25,810



**Town of Littleton, North Carolina  
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***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions***

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

	<u>LEGERS</u>	<u>LEOSSA</u>	<u>Total</u>
pension expense	\$ 63,062	\$ 598	\$ 63,660
pension liability	127,261	25,810	153,071
proportionate share of the net pension liability	0.00466%	N/A	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	21,790	-	21,790
Changes of assumptions	20,741	1,891	22,632
Net difference between projected and actual earnings on plan investments	3,104	-	3,104
Changes in proportion and differences between contributions and proportionate share of contributions	12,126	-	12,126
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	11,287	11,287
Changes of assumptions	-	407	407
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	592	-	592

***c. 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 law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 9815454.

***Funding Policy.*** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

**2. *Other Employment Benefits***

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing

**Town of Littleton, North Carolina**  
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membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

The Town has several deferred inflows/outflows of resources.

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Differences between expected and actual experience	\$ 21,790
Changes of assumptions	20,741
Net difference between projected and actual earnings on pension plan investments	3,104
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,126
Contributions to pension plan in current fiscal year	24,589
Total	\$ 82,350

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

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable less penalties (General Fund)	-	41,108
Changes in assumptions		
Differences between expected and actual experience	592	
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	-
<b>Total</b>	<b>\$ 592</b>	<b>\$ 41,108</b>

**4. Fund Balance**

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 546,024</b>
Less:	
Stabilization by State Statute	30,949
Streets-Powell Bill	101,260
Cemetery	93,152
Working Capital / Fund Balance Policy	
Remaining Fund Balance	320,663

**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 insures against these risks through the purchase of the following insurance policies:

A fire insurance policy with limits of \$500,000 for damages to buildings and \$105,000 for damages to contents exists. Automobile liability insurance coverage provide insurance for claims up to \$500,00 for damages to property and products. Workers' compensation policy limit is \$100,000 per accident (\$500,000 aggregate). The Town is self-insured for the remainder of its exposure, if any, excluding flood insurance for which the Town has elected no additional coverage. Settled claims have not exceeded coverage in any of the last three fiscal years.

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

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

officer/town clerk and the tax collector are each individually bonded for \$50,000.

**6. Long-Term Obligations**

The Town records long-term debt of the governmental funds at face value in the government-wide statement of net position. All general obligation bonds serviced by the Town's general fund are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

**Changes in Long-Term Debt:**

The following is a summary of changes in the Town's Business-Type (Enterprise Fund) Activities long-term liabilities:

Serviced by the Governmental Activities

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Current Maturities</b>
<b>Governmental Activities:</b>					
USDA Loan	\$ 32,313	\$ -	\$ 2,578	\$ 29,735	\$ 2,653
USDA PD loan	-	166,000	-	166,000	6,165
Net Pension Liability (LGERS)	48,090	23,173	-	71,263	-
Total Pension Liability (LEO)	25,810	-	-	25,810	-
Total Governmental Activities	<u>\$ 106,213</u>	<u>\$ 189,173</u>	<u>\$ 2,578</u>	<u>\$ 292,808</u>	<u>\$ 8,818</u>

Serviced by the Business-type Activities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Current Maturities</b>
<b>Business-type Activities:</b>					
General Obligation Bond	\$ 164,000	\$ -	\$ 19,000	\$ 145,000	\$ 20,000
ARRA loan	43,110	-	3,592	39,518	3,592
USDA loan	32,313	-	2,578	29,735	2,653
Net Pension Liability (LGERS)	37,789	18,209	-	55,998	-
Total Business Activities	<u>\$ 277,212</u>	<u>\$ 18,209</u>	<u>\$ 25,170</u>	<u>\$ 270,251</u>	<u>\$ 26,245</u>

**USDA- Rural Housing Loan**

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

The Town has financed a portion of its Town Hall renovations through a non-general obligation loan with the USDA-Rural Housing Service. This loan is divided between the Governmental and Business-type Activities Principal and interest requirements are appropriated when due. Principal and interest payments are payable as follows:

<u>Year Ended June 30,</u>	<u>Governmental</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,653	\$ 862	\$ 2,653	\$ 862
2022	2,729	786	2,729	786
2023	2,809	706	2,809	706
2024-2026	8,924	1,621	8,924	1,621
2027-2030	12,620	906	12,620	906
Total	<u>\$ 29,735</u>	<u>\$ 4,881</u>	<u>\$ 29,735</u>	<u>\$ 4,881</u>

**General Obligation Indebtedness**

***Serviced by the Water and Sewer Fund***

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer. Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

\$202,200, 1988 USDA Water and Sewer bond due in annual installments through June 1, 2028.

Bonds and interest payable at June 30, 2020 are comprised of the following:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 20,000	\$ 7,250
2022	20,000	6,250
2023-2025	60,000	12,750
2026-2028	45,000	3,750
Total	<u>\$ 145,000</u>	<u>\$ 30,000</u>

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

**AARA – Non-general Obligation Bonds**

This non- interest loan from the Department of Environment and Natural Resources for water improvements project totaled \$39,517 at June 30, 2020. Principle payments are payable as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>
2021	\$ 3,592
2022	3,592
2023	3,592
2024-2027	14,370
2028-2031	14,370
Total	<u>\$ 39,517</u>

**NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 30, 2020, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**Town of Littleton, North Carolina**  
**Proportionate Share of Net Pension Liability (Assets)**  
**Required Supplementary Information**  
**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>
Proportion of the net pension liability (asset) (%)	0.00466%	0.00362%	0.00392%	0.00295%	0.00166%	0.00201%	0.00190%
Proportion of the net pension liability (asset) (\$)	\$ 127,261	\$ 85,875	\$ 59,887	\$ 62,609	\$ 11,094	\$ 11,854	\$ 22,902
Covered-employee payroll	\$ 273,743	\$ 259,533	\$ 251,546	\$ 208,447	\$ 162,974	\$ 137,231	\$ 204,036
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	46.49%	33.09%	23.81%	30.04%	6.81%	8.64%	11.22%
Plan fiduciary net position as a percentage of the total pension liability			94.18%	91.47%	98.09%	102.64%	94.35%



**Town of Littleton, North Carolina  
Town of Littleton Contributions  
Require Supplementary Information'  
Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	24,589	22,241	\$ 20,284	\$ 18,811	\$ 13,676	\$ 15,478	\$ 12,351
Contributions in relation to the contractually required contributions	<u>24,589</u>	<u>22,241</u>	<u>20,284</u>	<u>18,811</u>	<u>13,676</u>	<u>15,478</u>	<u>12,351</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	263,537	273,743	259,533	251,546	208,447	162,974	137,231
Contributions as a percentage of covered-employee payroll	9.33%	8.12%	7.82%	7.48%	6.56%	9.50%	9.00%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 41,452	\$ 34,752	\$ 27,486	\$ 21,989
Service Cost	1,597	2,566	2,880	2,304
Interest on total pension liability	1,245	1,341	1,493	1,194
Changes in benefit terms	-	-	-	
Differences between expected and actual experience in the measurement of total pension liability	(13,888)	-	-	
Changes in assumptions or other inputs	(501)	2,793	2,893	1,999
Benefit payments	(4,095)	-	-	
Other changes	-	-	-	
Ending balance of total pension liability	<u>\$ 25,810</u>	<u>\$ 41,452</u>	<u>\$ 34,752</u>	<u>\$ 27,486</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 25,810	\$ 41,452	\$ 34,752	\$ 27,486
Covered Payroll	95,542	134,029	114,786	91,786
Total pension liability as a percentage of covered payroll	27.01%	30.93%	30.28%	29.95%

Notes to the schedules:

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

## **INDIVIDUAL FUND SCHEDULES**

**Town of Littleton, North Carolina  
General Fund  
Schedule of Revenue, 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:			
Taxes	\$	310,864	\$
Penalties and interest		2,823	
Total	<u>264,350</u>	<u>313,687</u>	<u>49,337</u>
 <b>Unrestricted Intergovernmental Revenues</b>			
Local option sales tax		112,679	
Utility franchise tax		51,547	
Solid waste tax		484	
Beer & wine		5,248	
Total	<u>166,050</u>	<u>169,958</u>	<u>3,908</u>
 <b>Restricted Intergovernmental Revenues</b>			
Powell Bill allocation		22,898	
Total	<u>90,806</u>	<u>22,898</u>	<u>(67,908)</u>
 <b>Sales and Services</b>			
Police fines and fees		10,484	
Cemetery		8,400	
Recreation		79,065	
Rental income		3,477	
Total	<u>91,934</u>	<u>101,426</u>	<u>9,492</u>
 <b>Grants and Contributions</b>			
Diapitated building grant		61,000	
Police Department grant		100,000	
Total	<u>159,569</u>	<u>161,000</u>	<u>1,431</u>

**Town of Littleton, North Carolina  
General Fund  
Schedule of Revenue, 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>Investment Earnings</b>			
Interest		3,363	
Total	4,680	3,363	(1,317)
<b>Other Revenues</b>			
Miscellaneous		6,594	
Total	8,300	6,594	6,594
<b>Total Revenue</b>	<b>\$ 785,689</b>	<b>\$ 778,926</b>	<b>(6,763)</b>
<b>Expenditures</b>			
<b>General Government</b>			
Salaries and benefits		52,019	
Elections		2,333	
Contract services		6,532	
Travel and training		546	
Insurance & bonds		7,291	
Professional services		26,439	
Repairs & maintenance		5,087	
Utilities		5,996	
Telephone		2,520	
Supplies		7,374	
Capital outlay		59,589	
Other operating expenses		16,191	
<b>Total General Government</b>	<b>196,819</b>	<b>191,917</b>	<b>4,902</b>

**Town of Littleton, North Carolina  
General Fund  
Schedule of Revenue, Expenditures, and Changes  
In Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2020**

**Public Safety**

Salaries and benefits		197,041	
Telephone		5,029	
Fire department		11,000	
Repairs & maintenance		12,890	
Supplies		10,204	
Utilities		1,637	
E911 services		16,703	
Uniforms		918	
Insurance		8,256	
Capital outlay		216,218	
Other operating expenses		26,510	
Total	<u>636,387</u>	<u>506,406</u>	<u>129,981</u>

**Transportation**

Salaries and benefits		40,653	
Utilities		23,997	
Contracted services		3,207	
Street maintenance		11,660	
Other operating expenses		1,864	
Total	<u>148,860</u>	<u>81,381</u>	<u>67,479</u>

**Cultural and Recreational**

Maintenance		15,700	
Utilities		4,851	
Capital outlay		35,167	
Operating expenses		1,944	
Total	<u>63,568</u>	<u>57,662</u>	<u>5,906</u>

**Town of Littleton, North Carolina  
General Fund  
Schedule of Revenue, Expenditures, and Changes  
In Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2020**

<b>Debt Service</b>			
Principal		2,578	
Interest		936	
Total	3,514	3,514	-
<b>Total Expenditures</b>	<b>\$ 1,049,148</b>	<b>\$ 840,880</b>	<b>\$ 208,268</b>
Revenue over (under) expenditures	(263,459)	(61,954)	201,505
<b>Other Financing Sources (Uses)</b>			
Fund balance appropriated	(97,459)		(97,459)
Loan proceeds	(166,000)	(166,000)	-
Total	(263,459)	(166,000)	(97,459)
Net change in fund balance	<b>\$ -</b>	104,046	<b>\$ 104,046</b>
Fund balance - July 1		441,978	
Fund balance - June 30		<b>\$ 546,024</b>	



**Town of Littleton, 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 Revenue			
Charges for services	\$ -	\$ 348,015	\$ -
Total	<u>396,967</u>	<u>348,015</u>	<u>48,952</u>
Other operating revenue		655	
Total operating revenue	<u>-</u>	<u>655</u>	<u>(655)</u>
Nonoperating revenues:			
Investment earnings	3,800	2,208	1,592
Total Revenues	<u>400,767</u>	<u>350,878</u>	<u>49,889</u>
<b>Expenditures</b>			
Water and Sewer Operations		395,834	
Total	<u>365,658</u>	<u>395,834</u>	<u>(30,176)</u>
Debt services			
Interest and other charges		9,939	
Principal retirement		25,170	
Total	<u>35,109</u>	<u>35,109</u>	

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

Total expenditures	<u>400,767</u>	<u>430,943</u>	<u>                    </u>
Revenues over (under) expenditures	-	(80,065)	80,065
<b>Other financing sources (uses)</b>			
Insurance recovery		<u>586,250</u>	
Total other financing sources (uses)	<u>-</u>	<u>586,250</u>	<u>(586,250)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	506,185	<u>\$ 506,185</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal retirement		25,170	
Depreciation		(175,643)	
Increase in net pension liability		(18,209)	
Increase in deferred outflows of resources for pensions		997	
Decrease in deferred inflows of resources for pensions		<u>283</u>	
Total reconciling items		<u>(167,402)</u>	
Changes in Net Position, GAAP basis		<u>\$ 338,783</u>	

## **OTHER SCHEDULES**

**Town of Littleton, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2020**

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020	\$ -	\$ 240,180	\$ 226,617	\$ 13,563
2019	6,062	-	2,157	3,905
2018	4,089	-	784	3,305
2017	4,069	-	536	3,533
2016	3,731	-	493	3,238
2015	3,816	-	437	3,379
2014	3,493	-	355	3,138
2013	3,153	-	393	2,760
2012	2,950	-	353	2,597
2011	2,554	-	365	2,189
	<u>33,917</u>	<u>240,180</u>	<u>232,489</u>	<u>41,608</u>

Less: Allowance for Uncollectible Accounts 500

Ad Valorem Taxes Receivables, Net \$ 41,108

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	313,687
Reconciling items:	
Interest collected	(2,823)
Releases and adjustments	(78,375)
Total Collections and Credits	<u>232,489</u>

**Town of Littleton, North Carolina**  
**General Fund**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2020**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property tax at current year's tax rate					
Net Valuation	<u>\$30,022,500</u>	\$ 0.80	\$ 240,180	\$ 205,920	\$ 34,260
Net levy					
Less uncollected taxes at June 30, 2020			<u>13,563</u>	<u>13,563</u>	<u>-</u>
Current year's taxes collected			<u>\$ 226,617</u>	<u>\$ 192,357</u>	<u>\$ 34,260</u>
Current levy collection percentage			<u>94.35%</u>	<u>93.41%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**

# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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

### **Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Littleton, 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 Littleton's basic financial statements, and have issued our report thereon dated November 30, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

*Member:*

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants  
AICPA – Governmental Audit Quality Center

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Larry E. Carpenter, CPA, PA*

Greenville, NC  
November 30, 2020