

TOWN OF MORVEN, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

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FINANCIAL SECTION

Report of Independent Auditor

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 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, and each major fund of the Town as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year 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 and the Required Supplemental Financial Data as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental financial data in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund statements and schedules, and other schedules as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of 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's internal control over financial reporting and compliance.

Cheryl Behant LLP

Raleigh, North Carolina
November 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF MORVEN, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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

Financial Highlights

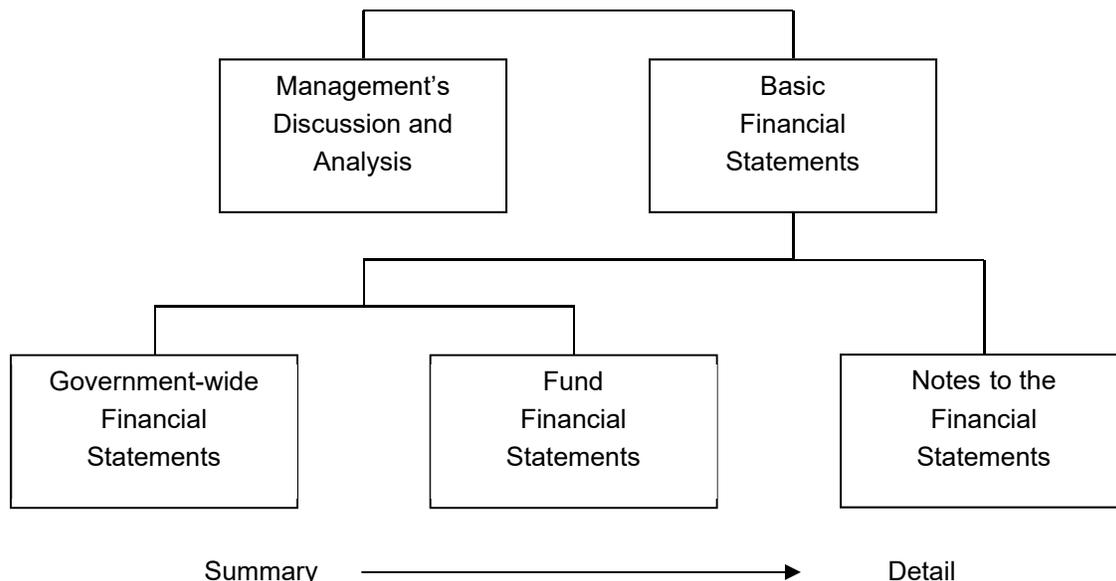
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,999,208 (*net position*).
- The government's total net position decreased by \$72,499. Increase in the governmental activities amounts to \$12,442 and decrease in business-type activities amounts to \$84,941.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balance of \$299,710 with a net increase of \$9,616 in fund balance. Approximately 59.15% of this total amount, or \$177,283, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$122,427, or 40.85% of total General Fund expenditures for the fiscal year.
- At June 30, 2020, the Town's total debt was \$-0-.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



TOWN OF MORVEN, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

Basic Financial Statements

The first two statements (pages 11 and 12) 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 (pages 13 through 19) 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 to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes to the financial statements, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

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

TOWN OF MORVEN, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

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

The Town 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 Town Council 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 – The Town has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 35 and 36 of this report.

TOWN OF MORVEN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

Government-Wide Financial Analysis

Town of Morven's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 372,011	\$ 353,215	\$ 326,529	\$ 361,090	\$ 698,540	\$ 714,305
Capital assets	227,052	230,448	3,110,570	3,169,406	3,337,622	3,399,854
Total Assets	599,063	583,663	3,437,099	3,530,496	4,036,162	4,114,159
Deferred outflows of resources	6,297	11,214	-	-	6,297	11,214
Current liabilities	13,579	8,831	18,042	26,498	31,621	35,329
Long-term liabilities	5,735	13,285	-	-	5,735	13,285
Total Liabilities	19,314	22,116	18,042	26,498	37,356	48,614
Deferred inflows of resources	5,895	5,052	-	-	5,895	5,052
Net Position:						
Investment in capital assets	227,052	230,448	3,110,570	3,169,406	3,337,622	3,399,854
Restricted	177,283	182,233	-	-	177,283	182,233
Unrestricted	175,816	155,028	308,487	334,592	484,303	489,620
Total Net Position	\$ 580,151	\$ 567,709	\$ 3,419,057	\$ 3,503,998	\$ 3,999,208	\$ 4,071,707

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,999,208 as of June 30, 2020. The Town's net position decreased by \$72,499 for the fiscal year ended June 30, 2020. However, the largest portion (83.46%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net position, \$177,283, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$484,303 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 81.74%.
- Increased sales tax revenues of approximately \$6,738.

TOWN OF MORVEN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

Town of Morven's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 42,052	\$ 41,525	\$ 180,819	\$ 178,424	\$ 222,871	\$ 219,949
Operating grant and contributions	49,059	37,076	-	-	49,059	37,076
General Revenues:						
Property taxes	76,856	77,519	-	-	76,856	77,519
Other taxes	138,981	133,445	-	-	138,981	133,445
Interest	1,702	2,299	3,784	5,601	5,486	7,900
Other	-	-	-	175,205	-	175,205
Total Revenues	<u>308,650</u>	<u>291,864</u>	<u>184,603</u>	<u>359,230</u>	<u>493,253</u>	<u>651,094</u>
Expenses:						
General government	200,724	178,004	-	-	200,724	178,004
Public safety	3,862	4,628	-	-	3,862	4,628
Transportation	55,764	46,117	-	-	55,764	46,117
Environmental protection	32,140	28,270	-	-	32,140	28,270
Cultural and recreation	3,718	3,718	-	-	3,718	3,718
Water and sewer	-	-	269,544	325,755	269,544	325,755
Total Expenses	<u>296,208</u>	<u>260,737</u>	<u>269,544</u>	<u>325,755</u>	<u>565,752</u>	<u>586,492</u>
Increase (decrease) in net position	12,442	31,127	(84,941)	33,475	(72,499)	64,602
Net position, July 1	<u>567,709</u>	<u>536,582</u>	<u>3,503,998</u>	<u>3,470,523</u>	<u>4,071,707</u>	<u>4,007,105</u>
Net position, June 30	<u>\$ 580,151</u>	<u>\$ 567,709</u>	<u>\$ 3,419,057</u>	<u>\$ 3,503,998</u>	<u>\$ 3,999,208</u>	<u>\$ 4,071,707</u>

Governmental Activities – Governmental activities increased the Town's net position by \$12,442, however, the Town had an overall decrease of \$72,499. This increase is primarily due to FEMA revenue related to Hurricane Florence damage.

Business-Type Activities – Business-type activities decreased the Town's net position by \$84,941, accounting for 117% of the total decrease in the government's net position. This decrease is primarily due to depreciation expense, a non-cash transaction.

TOWN OF MORVEN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$122,427, while total fund balance reached \$299,710. The Town currently has an available fund balance of 41.56% of General Fund expenditures, and total fund balance represents 102% of the same amount. The General Fund's fund balance increased \$9,616 during the current fiscal year.

General Fund Budgetary Highlights – During the fiscal year, there was one revision to the budget. 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. The change in fiscal year 2020 was related to recognition of new funding amounts from external sources.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$308,487. The total change in net position for the Water and Sewer was \$(84,941).

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$3,337,622 (net of accumulated depreciation). These assets include buildings, infrastructure, plant and distribution systems, and vehicles.

There were no major capital asset transactions during the year.

TOWN OF MORVEN, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

Town of Morven’s Capital Assets
(net of depreciation)
Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 62,600	\$ 62,600	\$ -	\$ -	\$ 62,600	\$ 62,600
Buildings and land improvement	82,743	81,868	-	-	82,743	81,868
Infrastructure	56,556	66,483	-	-	56,556	66,483
Furniture and equipment	25,153	19,497	-	-	25,153	19,497
Plant and distribution systems	-	-	3,110,570	3,169,406	3,110,570	3,169,406
Total	\$ 227,052	\$ 230,448	\$ 3,110,570	\$ 3,169,406	\$ 3,337,622	\$ 3,399,854

Additional information on the Town’s capital assets can be found in Note 1.E of the Basic Financial Statements.

Debt – At June 30, 2020, the Town’s total debt was \$-0-.

Economic Factors and Next Year’s Budgets and Rates

The Town’s elected and appointed officials considered many factors when setting the fiscal year 2020-2021 budget and tax rates that support the governmental activities and fees that will be charged for the business-type activities.

In adopting the Annual Budget for fiscal year 2020-2021, the Town realized that there will always be challenges. The Town is the leading catalyst responsible for initiating and delivering on three very broadly defined community, neighborhood, and economic quality of life goals:

- Create, guide, and sustain the Town of Morven as being a livable, safe, and prosperous community,
- Add competitive value and quality to the services and programs provided to our citizens, businesses, and visitors through prudent and accountable financial stewardship, expanding public-private partnerships and importantly, trusting and empowering employees to improve productivity and increase innovation, and
- Seek out and create opportunities for the Town to grow while keeping the desire of our citizens to have a high level of quality services with minimum staffing and low taxes/utility rates.

TOWN OF MORVEN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2020

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities – Budgeted revenue for fiscal year ending June 30, 2021 contains a 9% decrease in revenues the majority of which is related to expectation that there will be no receipt of grants for hurricane damage in the next fiscal year.

Budgeted expenditures in the General Fund are expected to decrease approximately 6% to \$277,195. The largest decreases are in repairs and maintenance.

The Town has chosen not to appropriate fund balance in the fiscal year 2021 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that no increase in the property tax rate is considered necessary for fiscal year 2021. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities – The water and sewer rates in the Town remained the same as in prior years. General operating expenses are expected to increase due to repairs and maintenance on the sewer pumps.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Morven, 301 Main Street, Morven, NC 28119. One can also call (704) 851-9321 or send an email to townofmorven@windstream.net for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 136,046	\$ 310,556	\$ 446,602
Restricted cash	139,854	-	139,854
Taxes receivables, net	58,722	-	58,722
Accounts receivable, net	3,324	15,973	19,297
Due from other governments	34,065	-	34,065
Total Current Assets	<u>372,011</u>	<u>326,529</u>	<u>698,540</u>
Noncurrent Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	62,600	-	62,600
Other capital assets, net of depreciation	164,452	3,110,570	3,275,022
Total Capital Assets	<u>227,052</u>	<u>3,110,570</u>	<u>3,337,622</u>
Total Assets	<u>599,063</u>	<u>3,437,099</u>	<u>4,036,162</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension deferral	2,124	-	2,124
Contributions to pension plan in current fiscal year	4,173	-	4,173
Total Deferred Outflow of Resources	<u>6,297</u>	<u>-</u>	<u>6,297</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	8,273	16,479	24,752
Other liabilities	1,133	-	1,133
Customer deposits	-	5,736	5,736
Internal balances	4,173	(4,173)	-
Total Current Liabilities	<u>13,579</u>	<u>18,042</u>	<u>31,621</u>
Noncurrent Liabilities:			
Net pension liability	5,735	-	5,735
Total Noncurrent Liabilities	<u>5,735</u>	<u>-</u>	<u>5,735</u>
Total Liabilities	<u>19,314</u>	<u>18,042</u>	<u>37,356</u>
DEFERRED INFLOW OF RESOURCES			
Pension deferrals	5,895	-	5,895
NET POSITION			
Investment in capital assets	227,052	3,110,570	3,337,622
Restricted for:			
Stabilization by State Statue	37,429	-	37,429
Streets - Powell Bill	139,854	-	139,854
Unrestricted	175,816	308,487	484,303
Total Net Position	<u>\$ 580,151</u>	<u>\$ 3,419,057</u>	<u>\$ 3,999,208</u>

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

TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 200,724	\$ -	\$ -	\$ -	\$ (200,724)	\$ -	\$ (200,724)
Public safety	3,862	-	-	-	(3,862)	-	(3,862)
Transportation	55,764	-	49,059	-	(6,705)	-	(6,705)
Environmental protection	32,140	42,052	-	-	9,912	-	9,912
Cultural and recreation	3,718	-	-	-	(3,718)	-	(3,718)
Total Governmental Activities	296,208	42,052	49,059	-	(205,097)	-	(205,097)
Business-Type Activities:							
Water and sewer	269,544	180,819	-	-	-	(88,725)	(88,725)
Total Business-Type Activities	269,544	180,819	-	-	-	(88,725)	(88,725)
Total Primary Government	\$ 565,752	\$ 222,871	\$ 49,059	\$ -	(205,097)	(88,725)	(293,822)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					76,856	-	76,856
Other taxes					138,981	-	138,981
Restricted investment earnings					576	-	576
Unrestricted investment earnings					1,126	3,784	4,910
Total General Revenues					217,539	3,784	221,323
Change in net position					12,442	(84,941)	(72,499)
Net position, beginning					567,709	3,503,998	4,071,707
Net position, ending					\$ 580,151	\$ 3,419,057	\$ 3,999,208

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

TOWN OF MORVEN, NORTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 136,046
Restricted cash	139,854
Receivables, net:	
Taxes	58,722
Miscellaneous	3,324
Due from other funds	40
Due from other governments	34,065
Total Assets	<u>\$ 372,051</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 8,273
Other liabilities	1,094
Unearned revenue	39
Due to other funds	4,213
Total Liabilities	<u>13,619</u>
Deferred Inflows of Resources:	
Property taxes receivable	<u>58,722</u>
Total Deferred Inflows of Resources	<u>58,722</u>
Fund Balances:	
Restricted for:	
Stabilization by State Statue	37,429
Streets - Powell Bill	139,854
Unassigned, General Fund	<u>122,427</u>
Total Fund Balances	<u>299,710</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 372,051</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 492,465
Accumulated depreciation	<u>(265,413)</u>
	227,052
Other long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Net pension liability	(5,735)
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the statement of net position.	4,173
Pension related deferrals	(3,771)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	<u>58,722</u>
Net position of governmental activities	<u>\$ 580,151</u>

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

TOWN OF MORVEN, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2020*

	General Fund
REVENUES	
Ad valorem taxes	\$ 72,424
Unrestricted intergovernmental	138,981
Restricted intergovernmental	49,059
Restricted investment earnings	576
Unrestricted investment earnings	1,126
Permits and fees	42,052
	<hr/>
Total Revenues	304,218
	<hr/>
EXPENDITURES	
Current:	
General government	214,985
Public safety	3,862
Transportation	43,615
Environmental protection	32,140
	<hr/>
Total Expenditures	294,602
	<hr/>
Excess of Revenues over Expenditures	9,616
	<hr/>
Net change in fund balance	9,616
Fund balances, beginning	290,094
	<hr/>
Fund balances, ending	<u>\$ 299,710</u>

TOWN OF MORVEN, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

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

Net changes in fund balances - total governmental funds \$ 9,616

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 14,293	
Depreciation expense for governmental assets	<u>(17,689)</u>	(3,396)

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, these expenses are not reported as expenditures in governmental funds.

Pension expense	1,790
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	<u>4,432</u>
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Total changes in net position of governmental activities	<u><u>\$ 12,442</u></u>
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TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 79,480	\$ 79,480	\$ 72,424	\$ (7,056)
Unrestricted intergovernmental	130,103	130,103	138,981	8,878
Restricted intergovernmental	17,400	50,150	49,059	(1,091)
Restricted investment earnings	151	151	576	425
Unrestricted investment earnings	1,525	1,525	1,126	(399)
Permits and Fees	63,800	63,800	42,052	(21,748)
Miscellaneous	1,431	1,431	-	(1,431)
Total Revenues	<u>293,890</u>	<u>326,640</u>	<u>304,218</u>	<u>(22,422)</u>
Expenditures:				
Current:				
General government	186,429	219,179	214,985	4,194
Public safety	26,800	26,800	3,862	22,938
Transportation	45,961	45,961	43,615	2,346
Environmental protection	31,000	31,000	32,140	(1,140)
Miscellaneous	3,700	3,700	-	3,700
Total Expenditures	<u>293,890</u>	<u>326,640</u>	<u>294,602</u>	<u>32,038</u>
Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>9,616</u>	<u>9,616</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,616</u>	<u>\$ 9,616</u>
Fund balances, beginning			<u>290,094</u>	
Fund balances, ending			<u>\$ 299,710</u>	

TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2020

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 310,556
Accounts receivable (net)	15,973
Due from other funds	<u>4,173</u>
Total Current Assets	<u>330,702</u>
Capital Assets:	
Other capital assets, net of depreciation	<u>3,110,570</u>
Capital Assets, Net	<u>3,110,570</u>
Total Noncurrent Assets	<u>3,110,570</u>
Total Assets	<u>3,441,272</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	16,479
Customer deposits	<u>5,736</u>
Total Current Liabilities	<u>22,215</u>
Total Liabilities	<u>22,215</u>
NET POSITION	
Net investment in capital assets	3,110,570
Unrestricted	<u>308,487</u>
Total Net Position	<u><u>\$ 3,419,057</u></u>

TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	<u>\$ 180,819</u>
OPERATING EXPENSES	
Administration	6,180
Water purchases	35,170
Water treatment and distribution	32,947
Waste collection and treatment	105,847
Depreciation	<u>89,400</u>
Total Operating Expenses	<u>269,544</u>
Operating Loss	<u>(88,725)</u>
NONOPERATING REVENUES	
Interest	<u>3,784</u>
Total Nonoperating Revenue	<u>3,784</u>
Change in net position	(84,941)
Total net position, beginning	<u>3,503,998</u>
Total net position, ending	<u><u>\$ 3,419,057</u></u>

TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 241,177
Cash paid for goods and services	(174,192)
Net customer deposits	762
Net cash flows from operating activities	<u>67,747</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(30,564)</u>
Net cash flows from capital and related financing activities	<u>(30,564)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,784</u>
Net cash flows from investing activities	<u>3,784</u>
Net increase in cash and cash equivalents	29,970
Balances, beginning	<u>280,586</u>
Balances, ending	<u>\$ 310,556</u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	<u>\$ (88,725)</u>
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	89,400
Changes in assets and liabilities:	
Decrease in accounts receivable	60,358
Increase in accounts payable and accrued liabilities	5,952
Increase in customer deposits	762
Total adjustments	<u>156,472</u>
Net cash flows from operating activities	<u>\$ 67,747</u>

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies

The accounting policies of the Town of Morven (the “Town”) 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 Morven 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 Town of Morven only. There were no entities which met the requirements of a reportable component unit.

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. 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. There are no other funds to report for Town of Morven.

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. Nonoperating revenues such as subsidies result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles 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, including the Town. 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.

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

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. Sales taxes are considered a shared revenue for the Town because the tax is levied by Anson County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 positions 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 Proprietary Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

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 of local streets per G.S. 136-41.1 through 136-41.4.

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. 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.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is not maintained by the Town.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings, improvements, substations, lines, and other plant and distribution systems, \$500; infrastructure, \$500; equipment and furniture, \$500; vehicles and motorized equipment, \$500; computer software and computer equipment, \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	Estimated Useful Lives
Furniture and equipment	7 years
Land improvements	10 years
Maintenance equipment	10 years
Buildings and improvements	20 years
Water lines and tanks	30 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion – pension contributions subsequent to the measurement date and other pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

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 government activities, business-type activities, or proprietary fund type statement of net position. The face amount of debt issued is reported as other financing sources.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute – A 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.

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

Committed Fund Balance – A portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Morven’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – A portion of fund balance that Town of Morven intends to use for specific purposes.

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town will use resources in the following hierarchy; State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balances and lastly unassigned fund balance. The Town has the authority to deviate from this policy if it is in the best interest of the Town.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (“LGERS”) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Morven’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 property secured.

At June 30, 2020, the Town's deposits have a carrying amount of \$586,406 and a bank balance of \$587,348. Of the bank balance, \$250,000 was covered by federal depository insurance and \$337,348 was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$50.

Receivables

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

General Fund:

Taxes receivable	\$	58,722
Garbage accounts receivable		2,942
Other accounts receivable		382
Total General Fund		<u>62,046</u>

Enterprise Fund:

Sewer accounts receivable		7,983
Water accounts receivable		7,990
Total Enterprise Fund		<u>15,973</u>
Total	\$	<u><u>78,019</u></u>

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

Capital Assets

Primary Government:

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not being depreciated:				
Land	\$ 62,600	\$ -	\$ -	\$ 62,600
Total capital assets not being depreciated	<u>62,600</u>	<u>-</u>	<u>-</u>	<u>62,600</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	182,360	4,855	-	187,215
Infrastructure	148,904	-	-	148,904
Furniture and equipment	59,208	9,438	-	68,646
Vehicles	25,100	-	-	25,100
Total capital assets being depreciated	<u>415,572</u>	<u>14,293</u>	<u>-</u>	<u>429,865</u>
Less accumulated depreciation for:				
Buildings and improvements	100,492	3,980	-	104,472
Infrastructure	82,421	9,927	-	92,348
Furniture and equipment	39,711	3,782	-	43,493
Vehicles	25,100	-	-	25,100
Total accumulated depreciation	<u>247,724</u>	<u>17,689</u>	<u>-</u>	<u>265,413</u>
Total capital assets being depreciated, net	<u>167,848</u>			<u>164,452</u>
Governmental activity capital assets, net	<u>\$ 230,448</u>			<u>\$ 227,052</u>

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

General Government	\$ 1,822
Transportation	12,149
Cultural and Recreation	3,718
Total depreciation expense	<u>\$ 17,689</u>

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,566,402	\$ 30,564	\$ -	\$ 4,596,966
Vehicles	10,236	-	-	10,236
Total capital assets being depreciated	<u>4,576,638</u>	<u>30,564</u>	<u>-</u>	<u>4,607,202</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,396,996	89,400	-	1,486,396
Vehicles	10,236	-	-	10,236
Total accumulated depreciation	<u>1,407,232</u>	<u>89,400</u>	<u>-</u>	<u>1,496,632</u>
Business-type activities capital assets, net	<u>\$ 3,169,406</u>			<u>\$ 3,110,570</u>

Liabilities

Pension Plan and Postemployment Obligations

Local Government Employee’s Retirement System

Plan Description – The Town is a participating employer in the statewide 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 Employee’s Retirement System is included in the Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes the financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454.

TOWN OF MORVEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

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. Plan members are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS' Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020 was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The Town's contributions to LGERS for the year ended June 30, 2020 was \$4,173.

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.

At June 30, 2020, the Town reported a liability of \$5,735 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00021%, which was a decrease of 0.00035% from its proportion measured as of June 30, 2018.

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

For the year ended June 30, 2020, the Town recognized pension expense of \$2,384. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 982	\$ -
Changes of assumptions	935	-
Net difference between projected and actual earnings on pension plan investments	140	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	67	5,895
Town contributions subsequent to the measurement date	4,173	-
Total	<u>\$ 6,297</u>	<u>\$ 5,895</u>

\$4,173 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2021	\$ (1,298)
2022	(1,898)
2023	(79)
2024	(496)
Total	<u>\$ (3,771)</u>

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

Inflation	3.00%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, 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.

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

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

Future ad hoc cost-of-living amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 13,117	\$ 5,735	\$ (401)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

Law Enforcement Officers Special Separation Allowance

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

The Town has not conducted an actuarial study to determine the liability for such allowances. However, no LEO is eligible for current benefits, and any pension benefit obligation is not likely to be material.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description – The Town contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to LEOs 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 CAFR for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

Funding Policy – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, LEOs may make voluntary contributions to the Plan. There were no contributions made for the year ended June 30, 2020. Employees other than LEOs are allowed to make voluntary contributions. There were no contributions made by non-law enforcement employees for the year ended June 30, 2020.

Outflows/Inflows of Resources

The balance in outflows/inflows of resources at year-end is composed of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Pension deferred outflows	\$ 6,297	\$ -
	<u>\$ 6,297</u>	<u>\$ -</u>
Taxes receivable (General Fund), less penalties	\$ -	\$ 58,722
Pension deferred inflows	5,895	-
	<u>\$ 5,895</u>	<u>\$ 58,722</u>

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 carries a commercial insurance policy to cover all risks of loss. Coverage under this policy is as follows:

General Liability	\$ 1,000,000
Public Officials Liability	1,000,000
Business Auto	1,000,000
Workman's Compensation	1,000,000

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

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The assistant finance officer and the deputy clerk are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Commitments

In August 2018, the Town entered into a multi-year agreement for necessary ongoing maintenance of the Town’s water tank. The agreement states that the annual fee for years one through five is \$24,659 and \$10,293 for years six through eight. The annual fee in subsequent years will be adjusted to reflect the current cost of service, limited to a maximum increase of 4% annually.

TOWN OF MORVEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

Contingencies

During 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Town's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

Claims and Judgments

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

Subsequent Events

Management has evaluated subsequent events through November 30, 2020, the date the financial statements were available to be issued.

Note 3—Fund balance

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

Total Fund Balance - General Fund	\$ 299,710
Less:	
Stabilization by State statute	37,429
Streets - Powell Bill	139,854
Remaining Fund Balance	<u>\$ 122,427</u>

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

Note 4—Interfund balances and activity

At June 30, 2020, \$4,173 was due to the Water and Sewer Fund from the General Fund which represents a loan advance from prior and current years to cover various expenses. The Town plans to pay back the balance of the advance within the next fiscal year.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF MORVEN, NORTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) FOR LOCAL
GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Town of Morven's proportion of the net pension liability (asset) (%)	0.00021%	0.00056%	0.00074%	0.00172%	0.00172%	0.00099%	0.14000%
Town of Morven's proportion of the net pension liability (asset) (\$)	\$ 5,735	\$ 13,285	\$ 11,305	\$ 36,504	\$ 7,719	\$ (5,838)	\$ 16,875
Town of Morven's covered payroll *	\$ 35,347	\$ 39,144	\$ 52,260	\$ 56,079	\$ 72,986	\$ 33,767	\$ 42,131
Town of Morven's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	16.23%	33.94%	21.63%	65.09%	10.58%	(17.29)%	40.05%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

*** Information is not available for years prior to those presented.

TOWN OF MORVEN, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS TO LOCAL GOVERNMENT EMPLOYEES'
RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,173	\$ 4,588	\$ 4,983	\$ 6,522	\$ 6,522	\$ 6,522	\$ 3,971
Contributions in relation to the contractually required contribution	6,415	2,346	4,983	6,522	6,522	6,522	3,971
Contribution deficiency (excess)	<u>\$ (2,242)</u>	<u>\$ 2,242</u>	<u>\$ -</u>				
Town of Morven's covered payroll	\$ 46,626	\$ 35,347	\$ 39,144	\$ 52,260	\$ 56,079	\$ 54,853	\$ 33,767
Contributions as a percentage of covered payroll	8.95%	12.98%	12.73%	12.48%	11.63%	11.89%	11.76%

* Information is not available for years prior to those presented.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF MORVEN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 79,480	\$ 72,424	\$ (7,056)
Total ad valorem taxes	<u>79,480</u>	<u>72,424</u>	<u>(7,056)</u>
Unrestricted intergovernmental:			
Local option sales tax	105,000	115,158	10,158
Franchise tax	22,185	22,139	(46)
Beer and wine tax	1,320	1,315	(5)
Gasoline tax refunds	1,258	-	(1,258)
Solid waste disposal tax	340	369	29
Total unrestricted intergovernmental	<u>130,103</u>	<u>138,981</u>	<u>8,878</u>
Restricted intergovernmental:			
Powell Bill allocation	17,400	16,309	(1,091)
FEMA revenue	<u>32,750</u>	<u>32,750</u>	<u>-</u>
Total restricted intergovernmental	<u>50,150</u>	<u>49,059</u>	<u>(1,091)</u>
Permits and fees:			
Garbage fees	<u>63,800</u>	<u>42,052</u>	<u>(21,748)</u>
Total permits and fees	<u>63,800</u>	<u>42,052</u>	<u>(21,748)</u>
Investment earnings:			
Restricted investment earnings	151	576	425
Unrestricted investment earnings	<u>1,525</u>	<u>1,126</u>	<u>(399)</u>
Total investment earnings	<u>1,676</u>	<u>1,702</u>	<u>26</u>
Miscellaneous:			
Miscellaneous	<u>1,431</u>	<u>-</u>	<u>(1,431)</u>
Total miscellaneous	<u>1,431</u>	<u>-</u>	<u>(1,431)</u>
Total Revenues	<u>326,640</u>	<u>304,218</u>	<u>(22,422)</u>

TOWN OF MORVEN, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$ 51,500	\$ 57,806	\$ (6,306)
Professional services	40,470	28,357	12,113
Membership dues	3,400	3,419	(19)
Other operating expenditures	72,059	125,403	(53,344)
Capital outlay	51,750	-	51,750
Total general government	<u>219,179</u>	<u>214,985</u>	<u>4,194</u>
Public safety:			
Police:			
Salaries and employee benefits	25,000	2,736	22,264
Other operating expenditures	1,800	1,126	674
Total public safety	<u>26,800</u>	<u>3,862</u>	<u>22,938</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	25,000	32,406	(7,406)
Maintenance and repairs	9,130	121	9,009
Other operating expenditures	5,010	2,472	2,538
Capital outlay	6,821	8,616	(1,795)
Total transportation	<u>45,961</u>	<u>43,615</u>	<u>2,346</u>
Environmental protection:			
Solid waste:			
Contracted services	31,000	32,140	(1,140)
Total environmental protection	<u>31,000</u>	<u>32,140</u>	<u>(1,140)</u>

TOWN OF MORVEN, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Miscellaneous:			
Community enrichment	\$ 3,700	\$ -	\$ 3,700
Total miscellaneous	<u>3,700</u>	<u>-</u>	<u>3,700</u>
Total expenditures	<u>326,640</u>	<u>294,602</u>	<u>32,038</u>
Revenues over expenditures	<u>-</u>	<u>9,616</u>	<u>9,616</u>
Net change in fund balance	<u>\$ -</u>	<u>9,616</u>	<u>\$ 9,616</u>
Fund balances, beginning		<u>290,094</u>	
Fund balances, ending		<u>\$ 299,710</u>	

TOWN OF MORVEN, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – WATER AND SEWER FUND

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues			
Water sales:			
Residential	\$ 95,000	\$ 88,653	\$ (6,347)
Total water sales	<u>95,000</u>	<u>88,653</u>	<u>(6,347)</u>
Sewer charges:			
Residential	<u>92,000</u>	<u>92,166</u>	<u>166</u>
Total sewer charges	<u>92,000</u>	<u>92,166</u>	<u>166</u>
Total operating revenues	<u>187,000</u>	<u>180,819</u>	<u>(6,181)</u>
Nonoperating revenues:			
Interest - water	4,000	2,906	(1,094)
Interest - sewer	<u>700</u>	<u>878</u>	<u>178</u>
Total nonoperating revenues	<u>4,700</u>	<u>3,784</u>	<u>(916)</u>
Total revenues	<u>191,700</u>	<u>184,603</u>	<u>(7,097)</u>
Expenditures:			
Water and sewer administration:			
Supplies	4,000	2,680	1,320
Other operating expenditures	<u>2,500</u>	<u>3,500</u>	<u>(1,000)</u>
Total water and sewer administration	<u>6,500</u>	<u>6,180</u>	<u>320</u>
Water treatment and distribution:			
Water distribution:			
Water purchases	39,082	35,170	3,912
Repairs and maintenance	48,600	29,293	19,307
Other operating expenditures	<u>4,818</u>	<u>3,654</u>	<u>1,164</u>
Total water treatment and distribution	<u>92,500</u>	<u>68,117</u>	<u>24,383</u>

TOWN OF MORVEN, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – WATER AND SEWER FUND (CONTINUED)

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Waste collection and treatment:			
Sewer fees	\$ 94,000	\$ 73,285	\$ 20,715
Repairs and maintenance	46,689	23,975	22,714
Other operating expenditures	8,711	8,587	124
Capital outlay	300	30,564	(30,264)
Total waste collection and treatment	<u>149,700</u>	<u>136,411</u>	<u>13,289</u>
Total expenditures	<u>248,700</u>	<u>210,708</u>	<u>37,992</u>
Revenues under expenditures	<u>(57,000)</u>	<u>(26,105)</u>	<u>30,895</u>
Other financing sources (uses):			
Fund balance appropriated	<u>57,000</u>	<u>-</u>	<u>(57,000)</u>
Total other financing sources (uses)	<u>57,000</u>	<u>-</u>	<u>(57,000)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	<u>\$ (26,105)</u>	<u>\$ (26,105)</u>

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

Revenues and other sources under expenditures and other uses	<u>\$ (26,105)</u>
Reconciling items:	
Purchase of capital assets	30,564
Depreciation	<u>(89,400)</u>
Total reconciling items	<u>(58,836)</u>
Change in net position	<u>\$ (84,941)</u>

OTHER SCHEDULES

TOWN OF MORVEN, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY

YEAR ENDED JUNE 30, 2020

	Town-Wide Levy		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year rate	\$ 16,717,261	\$0.47	\$ 77,702	\$ 68,595	\$ 9,107
Total	<u>16,717,261</u>		<u>77,702</u>	<u>68,595</u>	<u>9,107</u>
Discoveries					
Current year taxes	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	-		-	-	-
Total Property Value	<u>\$ 16,717,261</u>				
Net levy			77,702	68,595	9,107
Uncollected taxes at June 30, 2020			14,185	14,185	-
Current year's taxes collected			<u>\$ 63,517</u>	<u>\$ 54,410</u>	<u>\$ 9,107</u>
Current levy collection percentage			<u>81.74%</u>	<u>79.32%</u>	<u>100.00%</u>

COMPLIANCE SECTION

**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***

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

We have audited, in accordance with the 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, and each major fund of the Town of Morven, North Carolina (the "Town"), 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, 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's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

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

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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheryl Behart LLP

Raleigh, North Carolina
November 30, 2020

TOWN OF MORVEN, NORTH CAROLINA
CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2020

Finding 2020 – 001: Review and Approval over Journal Entries

Name of Contact Person: Tim Watkins, Mayor

Corrective Action: Alternative controls will be used to document support for journal entries as well as their review and approval.

Proposed Completion Date: The Town will consistently apply the above procedures immediately.

TOWN OF MORVEN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

Finding 2019-001

Status: Repeated. See 2020-001

Finding 2019-002

Status: Corrected.

Finding 2019-003

Status: Corrected.