

TOWN OF NAVASSA, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2020

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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
And the Board of Commissioners
Navassa, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of Town of Navassa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Navassa's internal control over financial reporting and compliance.

W Greene, PLLC

Whiteville, North Carolina
January 25, 2021

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

Financial Highlights

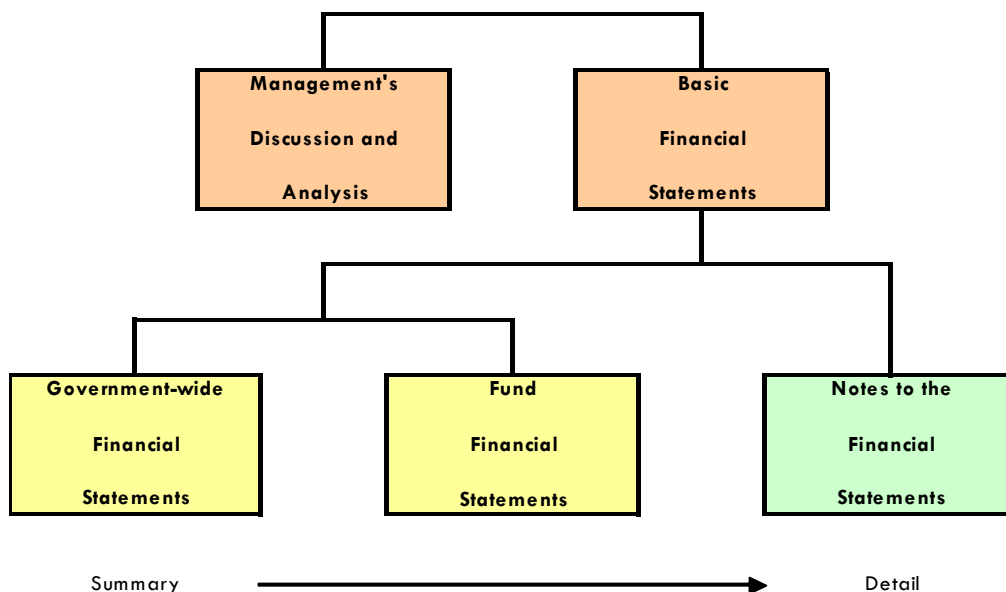
- The assets and deferred outflows of resources of the Town of Navassa exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,508,007 (net position).
- The government's total net position decreased by \$32,471, primarily due to a decrease in the governmental activities' net position.
- As of the close of the current fiscal year, the Town of Navassa's governmental funds reported combined ending fund balances of \$876,729 with a net increase of \$5,126 in fund balance. Approximately 30.25 percent of this total amount, or \$265,242, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$611,487, or 42.44 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 18 through 21) 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 22 through 33) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as administration, streets and highways, and public safety. 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. This includes the water and sewer services offered by the Town of Navassa.

The government-wide financial statements are on pages 18 through 21 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Navassa, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Navassa can be divided into two categories: governmental funds and proprietary funds.

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

relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 34 through 64 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Navassa's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

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

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

Town of Navassa's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,457,230	\$ 927,364	\$ 212,747	\$ 200,140	\$ 1,669,977	\$ 1,127,504
Capital assets	2,284,738	2,283,049	3,888,662	4,034,999	6,173,400	6,318,048
Deferred outflows of resources	111,033	146,241	-	-	111,033	146,241
Total assets and deferred outflows of resources	3,853,001	3,356,654	4,101,409	4,235,139	7,954,410	7,591,793
Long-term liabilities outstanding	339,001	348,313	405,716	437,960	744,717	786,273
Other liabilities	58,159	39,958	114,500	245,294	172,659	285,252
Deferred inflows of resources	529,027	3,681	-	-	529,027	3,681
Total liabilities and deferred inflows of resources	926,187	391,952	520,216	683,254	1,446,403	1,075,206
Net position:						
Net investment in capital assets	2,042,640	2,060,723	3,450,702	3,564,911	5,493,342	5,625,634
Restricted	265,242	172,835	-	-	265,242	172,835
Unrestricted	618,932	731,144	130,491	(13,026)	749,423	718,118
Total net position	\$ 2,926,814	\$ 2,964,702	\$ 3,581,193	\$ 3,551,885	\$ 6,508,007	\$ 6,516,587

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Navassa exceeded liabilities and deferred inflows by \$6,508,007 as of June 30, 2020. The Town's net position decreased by \$32,471 for the fiscal year ended June 30, 2020. However, the largest portion (84.41%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Navassa uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Navassa's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Navassa's net position, \$265,242, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$749,423 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 93.87%

Management's Discussion and Analysis (Continued)

The Town of Navassa's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 23,857	\$ 30,568	\$ 462,400	\$ 381,557	\$ 486,257	\$ 412,125
Operating grants and contributions	377,996	50,148	375,000	-	752,996	50,148
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Property taxes	251,473	225,893	-	-	251,473	225,893
Other taxes	765,093	604,084	-	-	765,093	604,084
Other	20,160	133,832	203	417,498	20,363	551,330
Total revenues	1,438,579	1,044,525	837,603	799,055	2,276,182	1,843,580
Expenses:						
General Government	744,108	803,195	-	-	744,108	803,195
Public Safety	281,505	272,805	-	-	281,505	272,805
Transportation/Streets	244,323	85,834	-	-	244,323	85,834
Environmental Protection	59,197	128,619	-	-	59,197	128,619
Economic Development	103,820	76,596	-	-	103,820	76,596
Cultural and Recreation	18,781	18,427	-	-	18,781	18,427
Community Building	37,581	28,857	-	-	37,581	28,857
Interest on long-term debt	11,043	7,415	-	-	11,043	7,415
Water and Sewer	-	-	808,295	656,884	808,295	656,884
Total expenses	1,500,358	1,421,748	808,295	656,884	2,308,653	2,078,632
Increase(Decrease) in net position before transfers	(61,779)	(377,223)	29,308	142,171	(32,471)	(235,052)
Transfers	-	-	-	-	-	-
Change in net position	(61,779)	(377,223)	29,308	142,171	(32,471)	(235,052)
Net position, beginning	2,964,702	3,341,925	3,551,885	3,525,356	6,516,587	6,867,281
Restatement	23,891	-	-	(115,642)	23,891	(115,642)
Net Position, beginning, restated	2,988,593	3,341,925	3,551,885	3,409,714	6,540,478	6,751,639
Net position, June 30	\$ 2,926,814	\$ 2,964,702	\$ 3,581,193	\$ 3,551,885	\$ 6,508,007	\$ 6,516,587

Governmental activities. Governmental activities decreased the Town's net position by \$61,779, thereby accounting for 100% of the total decrease in the net position of the Town of Navassa. Key elements of this decrease are as follows:

- Increase in total expenditures.

Business-type activities. Business-type activities increased the Town of Navassa's net position by \$29,308. Key elements of this increase are as follows:

- Water and sewer total revenues increased during the year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Navassa's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Navassa's financing requirements.

The general fund is the chief operating fund of the Town of Navassa. At the end of the current fiscal year, Town of Navassa's fund balance available in the General fund was \$653,053, while total fund balance reached \$876,729. The Town currently has an available fund balance of 45.33% of general fund expenditures, while the total balance represents 60.86% of the same amount.

At June 30, 2020, the governmental funds of Town of Navassa reported a combined fund balance of \$876,729 with a net increase in fund balance of \$5,126.

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

Revenues were more than the budgeted amounts primarily because of an increase in intergovernmental revenues that the Town originally had expected to receive. Total expenditures were less than budgeted amounts.

Proprietary Funds. The Town of Navassa'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 \$130,491. The total change in net position for the water and sewer fund was an increase of \$29,308. The change in net position in the Water and Sewer Fund is a result of an increase in revenues compared to the prior fiscal year.

Capital Asset and Debt Administration

Capital assets. The Town of Navassa's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$6,173,400 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

The Town of Navassa's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 48,670	\$ 48,670	\$ 19,050	\$ 19,050	\$ 67,720	\$ 67,720
Buildings and Systems	120,104	127,370	3,869,612	4,015,949	3,989,716	4,143,319
Vehicles and Motorized Equip.	119,427	105,063	-	-	119,427	105,063
Infrastructure	1,985,505	2,072,140	-	-	1,985,505	2,072,140
Equipment	11,032	16,680	-	-	11,032	16,680
Total	\$ 2,284,738	\$ 2,369,923	\$ 3,888,662	\$ 4,034,999	\$ 6,173,400	\$ 6,404,922

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

Long-term Debt. As of June 30, 2020, the Town of Navassa had total debt outstanding of \$811,980. Of this, \$-0- is debt backed by the full faith and credit of the Town of Navassa.

The Town of Navassa's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchase debt	\$ 242,098	\$ 285,309	\$ 437,960	\$ 470,088	\$ 680,058	\$ 755,397
Compensated absences	33,111	27,602	-	-	33,111	27,602
Pension related debt (LGERS)	84,932	108,179	-	-	84,932	108,179
Pension related debt (LEO)	13,879	13,779	-	-	13,879	13,779
Total	\$ 374,020	\$ 434,869	\$ 437,960	\$ 470,088	\$ 811,980	\$ 904,957

Town of Navassa Outstanding Debt

The Town of Navassa's installment purchase debt decreased by \$75,339 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Navassa is \$9,705,280. The Town of Navassa does not have any authorized but un-issued debt at June 30, 2020.

Additional information regarding the Town of Navassa's long-term debt can be found beginning on page 60 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Continued growth in the surrounding area.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The property tax rate will remain the same for the next year.

Business-type Activities: Utility rates in the Town will remain the same for the next year.

Requests for Information

This report is designed to provide an overview of the Town 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 following:

**Director of Finance
Town of Navassa
334 Main Street
Navassa, NC 28451**

Basic Financial Statements

TOWN OF NAVASSA, NORTH CAROLINA

Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 634,627	\$ 118,201	\$ 752,828
Receivables (net):			
Ad Valorem Taxes	28,813	-	28,813
Interest	3,334	-	3,334
Accounts	-	94,546	94,546
Due from Other Governments	223,676	-	223,676
Internal Balances	-	-	-
Restricted Cash and Cash Equivalents	566,780	-	566,780
Total Current Assets	1,457,230	212,747	1,669,977
Noncurrent Assets:			
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	48,670	19,050	67,720
Other Capital Assets, Net of Depreciation	2,236,068	3,869,612	6,105,680
Total Noncurrent Assets	2,284,738	3,888,662	6,173,400
Total Assets	3,741,968	4,101,409	7,843,377
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	111,033	-	111,033
Total Deferred Outflows of Resources	\$ 111,033	\$ -	\$ 111,033

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

TOWN OF NAVASSA, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2020

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable and			
Accrued Liabilities	\$ 23,140	\$ 24,725	\$ 47,865
Due to Other Governments	-	57,531	57,531
Customer Deposits	-	-	-
Current Portion of Long-Term Liabilities	35,019	32,244	67,263
Total Current Liabilities	58,159	114,500	172,659
Long-Term Liabilities:			
Net Pension Liability	84,932	-	84,932
Total Pension Liability	13,879	-	13,879
Due in More Than One year	240,190	405,716	645,906
Total Liabilities	397,160	520,216	917,376
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	3,813	-	3,813
Deferred Grants	525,214	-	525,214
Total Deferred Inflows of Resources	529,027	-	529,027
NET POSITION			
Net Investment in Capital Assets	2,042,640	3,450,702	5,493,342
Restricted for:			
Transportation	41,566	-	41,566
Stabilization by State Statute	223,676	-	223,676
Unrestricted	618,932	130,491	749,423
Total Net Position	\$ 2,926,814	\$ 3,581,193	\$ 6,508,007

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

TOWN OF NAVASSA, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 744,108	\$ -	\$ 244,170	\$ -
Public Safety	281,505	943	-	-
Economic Development	103,820	22,914	-	-
Transportation	244,323	-	95,326	-
Environmental Protection	59,197	-	-	-
Cultural and Recreation	18,781	-	-	-
Community Building	37,581	-	38,500	-
Interest on long-term debt	11,043	-	-	-
Total Governmental Activities	1,500,358	23,857	377,996	-
Business-Type Activities:				
Water and Sewer	808,295	462,400	375,000	-
Total Business-Type Activities	808,295	462,400	375,000	-
Total Primary Government	\$ 2,308,653	\$ 486,257	\$ 377,996	\$ -

TOWN OF NAVASSA, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2020

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Primary Government:			
Governmental Activities:			
General Government	\$ (499,938)	\$ -	\$ (499,938)
Public Safety	(280,562)	-	(280,562)
Economic Development	(80,906)	-	(80,906)
Transportation	(148,997)	-	(148,997)
Environmental Protection	(59,197)	-	(59,197)
Cultural and Recreation	(18,781)	-	(18,781)
Community Building	919	-	919
Interest on long-term debt	(11,043)	-	(11,043)
Total Governmental Activities	(1,098,505)	-	(1,098,505)
Business-Type Activities:			
Water and Sewer	-	29,105	29,105
Total Business-Type Activities	-	29,105	29,105
Total Primary Government	(1,098,505)	29,105	(1,069,400)
General Revenues:			
Property Taxes, Levied for General Purpose	251,473	-	251,473
Other Taxes and Licenses	765,093	-	765,093
Investment Earnings	4,669	203	4,872
Miscellaneous	15,491	-	15,491
Transfers	-	-	-
Total General Revenues and Transfers	1,036,726	203	1,036,929
Change in Net Position	(61,779)	29,308	(32,471)
Net Position - Beginning, previously reported	2,964,702	3,551,885	6,516,587
Restatement	23,891	-	23,891
Net Position - Beginning, restated	2,988,593	3,551,885	6,540,478
Net Position - End of Year	\$ 2,926,814	\$ 3,581,193	\$ 6,508,007

TOWN OF NAVASSA, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2020

	Major Fund		Total	
	General Fund		Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$	634,627	\$	634,627
Restricted Cash		566,780		566,780
Receivables (net):				
Ad Valorem Taxes		28,813		28,813
Due from Other Funds		-		-
Due from Other Governments		223,676		223,676
Total Assets		1,453,896		1,453,896
LIABILITIES				
Accounts Payable and				
Accrued Liabilities		23,140		23,140
Total Liabilities		23,140		23,140
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Receivable		28,813		28,813
Deferred Grants		525,214		525,214
Total Deferred Inflows of Resources		554,027		554,027
FUND BALANCES				
Restricted				
Stabilization by State Statute		223,676		223,676
Streets		41,566		41,566
Assigned				
Subsequent Year's Expenditures:		-		-
Unassigned		611,487		611,487
Total Fund Balances		876,729		876,729
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	1,453,896	\$	1,453,896

TOWN OF NAVASSA, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 876,729
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 3,644,084	
Accumulated depreciation	<u>(1,359,346)</u>	2,284,738
Deferred outflows of resources related to pensions are not reported in the funds.	<u>111,033</u>	111,033
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>3,334</u>	3,334
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>28,813</u>	28,813
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases	(242,098)	
Compensated absences	(33,111)	
Total pension liability	(13,879)	
Net pension liability	<u>(84,932)</u>	(374,020)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(3,813)</u>
Net position of governmental activities		<u>\$ 2,926,814</u>

TOWN OF NAVASSA, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	Major Fund		Total	
	General Fund		Governmental Funds	
Revenues				
Ad Valorem Taxes	\$	258,702	\$	258,702
Other Taxes and Licenses		-		-
Unrestricted Intergovernmental		765,093		765,093
Restricted Intergovernmental		377,996		377,996
Permits and Fees		23,857		23,857
Investment Earnings		4,669		4,669
Miscellaneous		15,491		15,491
Total Revenues		<u>1,445,808</u>		<u>1,445,808</u>
Expenditures				
Current				
General Government		641,099		641,099
Public Safety		244,741		244,741
Economic Development		102,021		102,021
Transportation		235,833		235,833
Environmental Protection		58,522		58,522
Cultural and Recreation		18,781		18,781
Community Building		37,581		37,581
Debt Service				
Principal		43,211		43,211
Interest and Other charges		11,043		11,043
Capital Outlay				
Environmental Protection		47,850		47,850
Total Expenditures		<u>1,440,682</u>		<u>1,440,682</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>5,126</u>		<u>5,126</u>
Other Financing Sources (Uses)				
Transfers from Other Funds		-		-
Transfers to Other Funds		-		-
Installment Purchase Obligations Issued		-		-
Sale of Capital Assets		-		-
Total Other Financing Sources (Uses)		<u>-</u>		<u>-</u>
Net Change in Fund Balance		5,126		5,126
Fund Balance - Beginning of Year		<u>871,603</u>		<u>871,603</u>
Fund Balance - End of Year	\$	<u>876,729</u>	\$	<u>876,729</u>

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

TOWN OF NAVASSA, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	5,126
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	47,850	
Depreciation expense	<u>(133,035)</u>	(85,185)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	47,899
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable revenue for tax revenues	(4,983)	
Interest earned on ad valorem taxes	<u>(2,246)</u>	(7,229)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance	-	
Debt retirement	<u>43,211</u>	43,211

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

Pension Expense	(60,092)	
Compensated absences	<u>(5,509)</u>	(65,601)

Total changes in net position of governmental activities	<u>\$</u>	<u>(61,779)</u>
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TOWN OF NAVASSA, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 240,000	\$ 240,000	\$ 258,702	\$ 18,702
Other Taxes and Licenses	-	-	-	-
Unrestricted Intergovernmental	547,000	547,000	765,093	218,093
Restricted Intergovernmental	89,200	176,347	377,996	201,649
Permits and Fees	15,000	16,100	23,857	7,757
Investment Earnings	600	600	4,669	4,069
Miscellaneous	34,200	18,099	15,491	(2,608)
Total Revenues	926,000	998,146	1,445,808	447,662
Expenditures				
General Government	457,050	409,032	641,099	(232,067)
Public Safety	289,575	273,054	244,741	28,313
Economic Development	195,363	179,228	102,021	77,207
Transportation	195,300	297,365	235,833	61,532
Environmental Protection	172,858	161,993	106,372	55,621
Cultural and Recreation	39,320	39,320	18,781	20,539
Community Building	59,000	65,950	37,581	28,369
Debt Service	-	66,500	54,254	12,246
Total Expenditures	1,408,466	1,492,442	1,440,682	51,760
Revenues Over (Under) Expenditures	(482,466)	(494,296)	5,126	499,422
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Installment Purchase Obligations Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(482,466)	(494,296)	5,126	499,422
Appropriated Fund Balance	482,466	494,296	-	(494,296)
Net Change in Fund Balance	\$ -	\$ -	5,126	\$ 5,126
Fund Balance - Beginning of Year			871,603	
Fund Balance - End of Year			\$ 876,729	

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

TOWN OF NAVASSA, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Water and Sewer Fund
ASSETS	
Current Assets	
Cash and Investments	\$ 118,201
Accounts Receivable (net)	94,546
Due from Other Governments	-
Total Current Assets	<u>212,747</u>
Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	19,050
Other Capital Assets, Net of Depreciation	3,869,612
Total Noncurrent Assets	<u>3,888,662</u>
Total Assets	<u><u>4,101,409</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	-
Contributions to Pension Plan	-
Total Deferred Outflows of Resources	<u>\$ -</u>

TOWN OF NAVASSA, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Water and Sewer Fund
<hr/>	
LIABILITIES	
Current Liabilities	
Accounts Payable and	
Accrued Liabilities	\$ 24,725
Due to Other Governments	57,531
Customer Deposits	-
Unearned Revenue	-
Notes Payable	32,244
Total Current Liabilities	<u>114,500</u>
Noncurrent Liabilities	
Notes Payable	405,716
Compensated Absences Payable	-
Net Pension Liability	-
Total Noncurrent Liabilities	<u>405,716</u>
Total Liabilities	<u><u>520,216</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals	<u>-</u>
Total Deferred Inflows of Resources	<u><u>-</u></u>
NET POSITION	
Net Investment in Capital Assets	3,450,702
Unrestricted	<u>130,491</u>
Total Net Position	<u><u>\$ 3,581,193</u></u>

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TOWN OF NAVASSA, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2020

	Water and Sewer Fund
Operating Revenues	
Charges for Services	\$ 432,875
Water and Sewer Connections	29,400
Other Operating Revenue	125
Total Operating Revenues	462,400
Operating Expenses	
Water and Sewer Operations	649,693
Depreciation	146,337
Total Operating Expenses	796,030
Operating Income (Loss)	(333,630)
Nonoperating Revenues (Expenses)	
Investment Earnings	203
Miscellaneous Income	-
Interest Expense	(12,265)
Total Nonoperating Revenues (Expenses)	(12,062)
Total Income (Loss) Before Contributions and Transfers	(345,692)
Capital Contributions	375,000
Transfers from Other Funds	-
Change in Net Position	29,308
Total Net Position - Beginning of Year	3,551,885
Total Net Position - End of Year	\$ 3,581,193

TOWN OF NAVASSA, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 442,918
Cash Paid for Goods and Services	(780,049)
Cash Paid to Employees for Services	(554)
Miscellaneous	-
Net Cash Provided(Used) by Operating Activities	<u>(337,685)</u>
Cash Flows from Noncapital Financing Activities	
Decrease in Due to Other Funds	-
Transfers in	-
Net Cash Provided(Used) by Noncapital Financing Activities	<u>-</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	-
Installment Obligation Issued	-
Interest Paid on Bond Maturities and Equipment Contracts	(12,265)
Principal Paid on Bond Maturities and Equipment Contracts	(32,128)
Capital Contribution - State Grant	375,000
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>330,607</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>203</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(6,875)
Cash and Cash Equivalents - Beginning of Year	<u>125,076</u>
Cash and Cash Equivalents - End of Year	<u>\$ 118,201</u>

TOWN OF NAVASSA, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2020

	Water and Sewer Fund
<hr/>	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ (333,630)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	146,337
Miscellaneous	-
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(19,482)
(Increase) Decrease in Due From Other Governments	-
(Increase) Decrease in Deferred Outflows of Resources - Pensions	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	21,204
Increase (Decrease) in Due to Other Governments	(152,114)
Increase (Decrease) in Net Pension Liability	-
Increase (Decrease) in Deferred Inflows of Resources - Pensions	-
Total Adjustments	(4,055)
Net Cash Provided(Used) by Operating Activities	\$ (337,685)

TOWN OF NAVASSA, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Basis of Presentation

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for any multi-year funds. Any revisions that alter expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because 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. The unexpended grant revenues are restricted in the general fund for grant expenditures.

Town of Navassa Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 41,566
Grant Expenditures	525,214
Total Governmental Activities	566,780
Total Restricted Cash	<u>\$ 566,780</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory

Inventories are not maintained. Supplies are purchased according to the current needs and only a negligible amount is maintained on hand.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a \$5,000 cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	5
Furniture and Office Equipment	10
Equipment	10
Computer Equipment	3

8. Deferred Outflows/Inflows of Resources

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (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 a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are 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 Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Assets/Fund Balances (Continued)

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Navassa's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this 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 agents 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,319,608 and a bank balance of \$1,408,132. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Receivables - Allowances for Doubtful Accounts

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

Fund	06/30/2020
General Fund:	
Taxes receivable	\$ 3,200
Total General Fund	3,200
Enterprise Fund:	
Utilities receivable	141,900
Total Enterprise Fund	141,900
Total	\$ 145,100

II. DETAIL NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 48,670	\$ -	\$ -	\$ 48,670
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	48,670	-	-	48,670
Capital assets being depreciated:				
Buildings and Improvements	298,384	-	-	298,384
Equipment	223,984	-	-	223,984
Vehicles & Motorized Equipment	426,143	47,850	-	473,993
Infrastructure	2,599,053	-	-	2,599,053
Total capital assets being depreciated	3,547,564	47,850	-	3,595,414
Less accumulated depreciation for:				
Buildings and Improvements	171,014	7,266	-	178,280
Equipment and Vehicles	528,384	39,134	-	567,518
Infrastructure	526,913	86,635	-	613,548
Total accumulated depreciation	1,226,311	133,035	-	1,359,346
Total capital assets being depreciated, net	2,321,253			2,236,068
Governmental activity capital assets, net	\$ 2,369,923			\$ 2,284,738

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

General Government	\$ 93,902
Public Safety	31,093
Transportation	8,040
Environmental Protection	-
Total	<u>\$ 133,035</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 19,050	\$ -	\$ -	\$ 19,050
Total capital assets not being depreciated	19,050	-	-	19,050
Capital assets being depreciated:				
Buildings	-	-	-	-
Furniture & Equipment	1,525	-	-	1,525
Plant and distribution systems	5,853,459	-	-	5,853,459
Total capital assets being depreciated	5,854,984	-	-	5,854,984
Less accumulated depreciation for:				
Buildings	-	-	-	-
Furniture & Equipment	1,525	-	-	1,525
Plant and distribution systems	1,837,510	146,337	-	1,983,847
Total accumulated depreciation	1,839,035	146,337	-	1,985,372
Total capital assets being depreciated, net	4,015,949			3,869,612
Water and Sewer fund capital assets, net	\$ 4,034,999			\$ 3,888,662

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Navassa employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Navassa's contractually required contribution rate for the year ended June 30, 2020, was 17% of compensation for law enforcement officers and 16% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Navassa were \$47,899 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$84,932 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 0.00311%, which was a decrease of 0.00145% from its proportion measured as of June 30, 2018.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2020, the Town recognized pension expense of \$59,145. 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	\$ 14,542	\$ -
Changes of assumptions	13,842	-
Net difference between projected and actual earnings on pension plan investments	2,072	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	32,022	-
Town contributions subsequent to the measurement date	47,899	-
Total	<u>\$ 110,377</u>	<u>\$ -</u>

\$47,899 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 28,455
2022	13,574
2023	15,997
2024	4,452
2025	-
Thereafter	-
	<u>\$ 62,478</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 194,254	\$ 84,932	\$ (5,938)

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

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

Inactive members currently receiving benefits	-
Active plan members	<u>2</u>
Total	<u><u>2</u></u>

2. Summary of Significant Accounting Policies:

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.26 percent

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

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

At June 30, 2020, the Town reported a total pension liability of \$13,879. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$1,263.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,661
Changes of assumptions	656	152
Town benefit payments and plan administrative expense subsequent to the measurement date	-	-
Total	<u>\$ 656</u>	<u>\$ 3,813</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ (1,170)
2022	(1,170)
2023	(817)
2024	-
2025	-
Thereafter	-
	<u>\$ (3,157)</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 14,118	\$ 13,879	\$ 13,638

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

	2020
Beginning balance	\$ 13,779
Service Cost	1,616
Interest on the total pension liability	502
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,110)
Changes of assumptions or other inputs	92
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 13,879

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 59,145	\$ 1,263	\$ 60,408
Pension Liability	84,932	13,879	98,811
Proportionate share of the net pension liability	0.00311%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	14,542	-	14,542
Changes of assumptions	13,842	656	14,498
Net difference between projected and actual earnings on plan investments	2,072	-	2,072
Changes in proportion and differences between contributions and proportionate share of contributions	32,022	-	32,022
Benefit payments and administrative costs paid subsequent to the measurement date	47,899	-	47,899
Deferred Inflows of Resources			
Differences between expected and actual experience	-	3,661	3,661
Changes of assumptions	-	152	152
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and non-law enforcement employees may make voluntary contributions to the plan. The Town made contributions of \$6,854 for the reporting year. No amounts were forfeited.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefit

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

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$	47,899
Benefit payments made and administrative expenses for LEOSSA		-
Differences between expected and actual experience		14,542
Changes of assumptions		14,498
Net difference between projected and actual		2,072
Changes in proportion and differences between employer contributions and proportionate share of contributions		32,022
Charge on refunding		-
Total	\$	<u>111,033</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources (Continued)

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable (General Fund)	-	28,813
Deferred Grants	525,214	525,214
Changes in assumptions	152	-
Difference between expected and actual experience	3,661	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ 529,027</u>	<u>\$ 554,027</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large worker's compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry any flood insurance. The Town is not located in a flood plain.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management (Continued)

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

5. Long-Term Obligations

a. Installment Purchases

On November 20, 2014, the Town entered into an installment/purchase contract for the purchase of a 2014 Ford F-150 truck with BB&T. The original amount financed was \$17,070. The financing contract requires annual payments of \$3,682 including interest at 3.24% for five years. Maturity is November 2019. This debt was paid off during the current fiscal year.

On June 9, 2015, the Town entered into an installment/purchase contract for the purchase of a 2015 Dodge Charger with BB&T. The original amount financed was \$30,000. The financing contract requires annual payments of \$6,470 including interest at 2.57% for five years. Maturity is June 2020. This debt was paid off during the current fiscal year.

On February 23, 2016, the Town entered into an installment/purchase contract for the construction of a community center with the USDA. The original amount financed was \$194,524. The financing contract requires annual payments of \$8,654 including interest at 3.125% for forty years. Maturity is February 2056. The outstanding principal balance at June 30, 2020 was \$183,729.

On March 1, 2016, the Town entered into an installment/purchase contract for the purchase of a 2016 Dodge Charger with BB&T. The original amount financed was \$35,000. The financing contract requires annual payments of \$7,566 including interest at 2.65% for five years. Maturity is April 2021. The outstanding principal balance at June 30, 2020 was \$7,371.

On February 24, 2017, the Town entered into an installment/purchase contract for the purchase of a John Deere Utility Tractor with BB&T. The original amount financed was \$18,354. The financing contract requires annual payments of \$3,991 including interest at 2.85% for five years. Maturity is March 2022. The outstanding principal balance at June 30, 2020 was \$7,653.

On January 11, 2019, the Town entered into an installment/purchase contract for the purchase of two 2018 Dodge Chargers and one Dodge Durango. The original amount financed was \$86,874. The financing contract requires annual payments of \$23,891 including for four years. Maturity is January 2022. The outstanding principal balance at June 30, 2020 was \$43,345.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

a. Installment Purchases (Continued)

In September 2007, the Town entered into a loan agreement for water improvements with Rural Development. The original amount of the loan was \$53,000. The financing contract requires annual payments of \$3,987 including interest at 4.25%. Maturity is September 2027. The outstanding principal balance at June 30, 2020 was \$26,560.

The Town has a promissory note payable to the DEHNR Division of Water Quality for the sanitary sewer system. The original amount of the note was \$534,287. The note requires annual principal payments of \$29,386 plus interest at 2.50% for twenty years. Maturity is May 2034. The outstanding principal balance at June 30, 2020 was \$411,400.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 35,019	\$ 9,082	\$ 32,244	\$ 11,414
2022	29,264	7,272	32,365	10,558
2023	3,097	5,557	32,492	9,696
2024	3,194	5,460	32,624	8,830
2025	3,294	5,360	32,762	7,958
2026-2030	18,079	25,191	157,931	26,660
2031-2035	21,086	22,184	117,542	7,346
2036-2040	24,594	18,676	-	-
2041-2045	28,684	14,586	-	-
2046-2050	33,455	9,815	-	-
2051-2055	39,020	4,250	-	-
2056-2059	3,312	104	-	-
Total	\$ 242,098	\$ 127,537	\$ 437,960	\$ 82,462

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

b. Changes in Long-Term Liabilities

	Balance 07/01/19	Increases	Decrease	Balance 06/30/20	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 285,309	\$ -	\$ 43,211	\$ 242,098	\$ 35,019
Net pension liability (LGERS)	108,179	-	23,247	84,932	-
Total pension liability (LEO)	13,779	100	-	13,879	-
Compensated absences	27,602	5,509	-	33,111	-
Governmental activity long-term liabilities	<u>\$ 434,869</u>	<u>\$ 5,609</u>	<u>\$ 66,458</u>	<u>\$ 374,020</u>	<u>\$ 35,019</u>
Business-type activities:					
Loans Payable	\$ 470,088	\$ -	\$ 32,128	\$ 437,960	\$ 32,244
Net Pension Liability (LGERS)	-	-	-	-	-
Compensated absences	-	-	-	-	-
Business-type activity long-term liabilities	<u>\$ 470,088</u>	<u>\$ -</u>	<u>\$ 32,128</u>	<u>\$ 437,960</u>	<u>\$ 32,244</u>

Compensated absences typically have been liquidated in the General Fund.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 2,284,738	\$ 3,888,662
less: long-term debt	242,098	437,960
Add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 2,042,640</u>	<u>\$ 3,450,702</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$	876,729
Less:		
Stabilization by State Statute		223,676
Streets		41,566
Appropriated Fund Balance in 2020-2021 budget		-
Remaining Fund Balance		611,487

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

<i>Encumbrances</i>		General Fund		Non-Major Funds
-	\$	-	\$	-

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2021, which is the date the financial statements were available to be issued.

On July 1, 2020 the Town transferred the assets and liabilities of the water and sewer system to Brunswick County, North Carolina. Brunswick County will own and operate the water and sewer system for Navassa going forward.

V. RESTATEMENTS

Prior Period Adjustment

It was determined that an installment agreement in the general fund was left off of the previous year. Therefore, an adjustment to increase the beginning net position of the Governmental Activities in the amount of \$23,891 was required.

VI. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government by \$232,067 and in the Water and Sewer Fund for water operations by \$34,761 and debt service by \$2,393. This over-expenditure occurred because of unbudgeted expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years and make any necessary amendments to the budget.

Required Supplementary

Financial Data

TOWN OF NAVASSA, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Navassa's proportion of the net pension liability (asset) (%)	0.00311%	0.00456%	0.00418%	0.00609%	0.00547%	-0.00362%	0.00540%
Navassa's proportion of the net pension liability (asset) (\$)	\$ 84,932	\$ 108,179	\$ 63,859	\$ 129,252	\$ 24,549	\$ (21,349)	\$ 65,091
Navassa's covered-employee payroll	\$ 279,635	\$ 315,849	\$ 323,149	\$ 299,789	\$ 323,149	\$ 282,346	\$ 259,644
Navassa's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.37%	34.25%	19.76%	43.11%	7.60%	(7.56%)	25.07%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF NAVASSA, NORTH CAROLINA

Town of Navassa's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 47,899	\$ 42,743	\$ 47,367	\$ 40,945	\$ 42,356	\$ 46,575	\$ 46,575
Contributions in relation to the contractually required contribution	47,899	42,743	47,367	40,945	42,356	46,575	46,575
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Navassa's covered employee payroll	\$ 289,836	\$ 279,635	\$ 315,849	\$ 323,149	\$ 299,789	\$ 323,149	\$ 282,346
Contributions as a percentage of covered-employee payroll	16.53%	15.29%	15.00%	12.67%	14.13%	14.41%	16.50%

TOWN OF NAVASSA, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
June 30, 2020

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Beginning balance	\$ 13,779	\$ 12,436	\$ 12,217	\$ 9,937
Service cost	1,616	1,751	2,222	2,094
Interest on the total pension liability	502	393	472	355
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,110)	(650)	(3,735)	-
Changes of assumptions or other inputs	92	(151)	1,260	(169)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 13,879</u>	<u>\$ 13,779</u>	<u>\$ 12,436</u>	<u>\$ 12,217</u>

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

TOWN OF NAVASSA, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2020

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Total pension liability	\$ 13,879	\$ 13,779	\$ 12,436	\$ 12,217
Covered payroll	82,425	85,981	101,874	116,689
Total pension liability as a percentage of covered payroll	16.84%	16.03%	12.21%	10.47%

Notes to the schedules:

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

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Major Governmental Funds

General Fund

TOWN OF NAVASSA, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 256,259	
Penalties and Interest		2,443	
Total Ad Valorem Taxes	\$ 240,000	258,702	\$ 18,702
Other Taxes and Licenses			
Privilege Licenses		-	
Total Other Taxes and Licenses	-	-	-
Unrestricted Intergovernmental			
Local Option Sales Tax		676,984	
Utility Sales Tax		79,503	
Beer and Wine Tax		8,606	
Total Unrestricted Intergovernmental	547,000	765,093	218,093
Restricted Intergovernmental			
Powell Bill Allocation		52,149	
Federal Grants		282,670	
State Grants		43,177	
County Grants		-	
Total Restricted Intergovernmental	176,347	377,996	201,649
Permits and Fees			
Zoning Permits		22,914	
Public Safety Fees		943	
Total Permits and Fees	16,100	23,857	7,757
Investment Earnings			
General		4,669	
Total Investment Earnings	600	4,669	4,069
Miscellaneous			
Other		15,491	
Total Miscellaneous	18,099	15,491	(2,608)
Total Revenues	998,146	1,445,808	447,662

TOWN OF NAVASSA, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
Governing Body			
Salaries and Employee Benefits		34,736	
Other Operating Expenditures		340,267	
Total Governing Body	121,454	375,003	(253,549)
Administration			
Salaries and Employee Benefits		196,545	
Other Operating Expenditures		54,088	
Total Administration	227,199	250,633	(23,434)
Public Buildings			
Salaries and Employee Benefits		-	
Other Operating Expenditures		15,463	
Total Public Buildings	60,379	15,463	44,916
Total General Government	409,032	641,099	(232,067)
Police Department			
Salaries and Employee Benefits		197,130	
Other Operating Expenditures		47,611	
Total Police	273,054	244,741	28,313
Economic and Physical Development			
Salaries and Employee Benefits		71,213	
Other Operating Expenditures		30,808	
Total Economic and Physical Development	179,228	102,021	77,207
Transportation Department			
Salaries and Employee Benefits		23,246	
Other Operating Expenditures		212,587	
Total Transportation Department	297,365	235,833	61,532
Environmental Protection			
Salaries and Employee Benefits		26,527	
Other Operating Expenditures		31,995	
Capital Outlay		47,850	
Total Environmental Protection	161,993	106,372	55,621

TOWN OF NAVASSA, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Parks and Recreation			
Salaries and Employee Benefits		-	
Other Operating Expenditures		18,781	
Total Parks and Recreation	39,320	18,781	20,539
Community Building			
Salaries and Employee Benefits		-	
Other Operating Expenditures		37,581	
Total Community Building	65,950	37,581	28,369
Debt Service			
Principal Retirement		43,211	
Interest and Other Charges		11,043	
Total Debt Service	66,500	54,254	12,246
Total Expenditures	1,492,442	1,440,682	51,760
Excess (Deficiency) of Revenues Over (Under) Expenditures	(494,296)	5,126	499,422
Other Financing Sources (Uses)			
Transfers In:			
Water and Sewer Fund	-	-	-
Transfers Out:			
Water and Sewer Fund	-	-	-
Sale of Capital Assets	-	-	-
Installment Purchase Obligations Issued	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Fund Balance Appropriated	494,296	-	(494,296)
Net Change in Fund Balance	\$ -	5,126	\$ 5,126
Fund Balance - Beginning of Year		871,603	
Fund Balance - End of Year		\$ 876,729	

Enterprise Funds

TOWN OF NAVASSA, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Water Charges		\$ 267,906	
Sewer Charges		164,969	
Water and Sewer Connection Fees		29,400	
Other Operating Revenues		125	
Total Operating Revenues	\$ 522,051	462,400	\$ (59,651)
Nonoperating Revenues			
Investment Earnings	-	203	203
Miscellaneous	377,973	375,000	(2,973)
Total Revenues	900,024	837,603	(62,421)
Expenditures			
Water Operations			
Salaries and Employee Benefits		-	
Other Operating Expenditures		276,827	
Total Water Operations	242,066	276,827	(34,761)
Sewer Operations			
Salaries and Employee Benefits		554	
Other Operating Expenditures		372,312	
Total Sewer Operations	760,000	372,866	387,134
Debt Service			
Principal Retirement		32,128	
Interest and Other Charges		12,265	
Total Debt Service	42,000	44,393	(2,393)
Capital Outlay			
System Improvements			
Total Capital Outlay			
Total Expenditures	1,044,066	694,086	349,980
Revenues Over (Under) Expenditures	(144,042)	143,517	287,559
Other Financing Sources (Uses)			
Installment Purchase Obligation Issued	-	-	-
Transfers In:			
General Fund	-	-	-
Transfer Out:			
General Fund	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Appropriated Fund Balance	144,042	-	(144,042)
Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ 143,517	\$ 143,517

TOWN OF NAVASSA, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ 143,517	
Reconciling Items:			
Depreciation Expense		(146,337)	
Decrease in Net Pension Liability		-	
Decrease in Deferred Outflows of Resources - Pensions		-	
Decrease in Deferred Inflows of Resources - Pensions		-	
Capital Outlay		-	
Principal Retirement		32,128	
Total Reconciling Items		(114,209)	
Change in Net Position		\$ 29,308	

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Other Schedules

TOWN OF NAVASSA, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

Fiscal Year	Uncollected Balance 7-1-19	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-20
2019-20	\$ -	\$ 242,907	\$ 228,019	\$ 14,888
2018-19	14,655	7,869	16,382	6,142
2017-18	6,617	-	3,038	3,579
2016-17	4,681	-	2,229	2,452
2015-16	2,768	-	1,441	1,327
2014-15	2,261	-	1,013	1,248
2013-14	2,294	-	1,330	964
2012-13	1,854	-	1,071	783
2011-12	1,025	-	661	364
2010-11	702	-	436	266
2009-10	639		639	-
	<u>\$ 37,496</u>	<u>\$ 250,776</u>	<u>\$ 256,259</u>	32,013

Less: Allowance for Uncollectible Accounts:

General Fund

3,200

Ad Valorem Taxes Receivable - Net

\$ 28,813Reconciliation with Revenues

Ad Valorem Taxes - General Fund

258,702

Reconciling Items:

Interest and Penalties Collected

(2,443)

Taxes Released or Written off

-

Total Collections and Credits

\$ 256,259

TOWN OF NAVASSA, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 121,233,000	0.20	\$ 242,466	\$ 219,909	\$ 22,557
Penalties	-		275	36	239
	<u>121,233,000</u>		<u>242,741</u>	<u>219,945</u>	<u>22,796</u>
Discoveries:					
Current Year Taxes	83,000	0.20	\$ 166	166	-
Penalties	-		-	-	-
	<u>83,000</u>		<u>166</u>	<u>166</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	-	0.20	\$ -	-	-
Total Property Valuations	<u>\$ 121,316,000</u>				
Net Levy			242,907	220,111	22,796
Uncollected Taxes at June 30, 2020			14,888	14,888	-
Current Year's Taxes Collected			<u>\$ 228,019</u>	<u>\$ 205,223</u>	<u>\$ 22,796</u>
Current Levy Collection Percentage			<u>93.87%</u>	<u>93.24%</u>	<u>100.00%</u>

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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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Navassa, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Navassa's basic financial statements, and have issued our report thereon dated January 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Navassa'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 of Navassa'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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2020-001], [2020-002].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Navassa'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [2020-001].

Town of Navassa's Response to Findings

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

Purpose of this Report

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

W Greene, PLLC

Whiteville, North Carolina
January 25, 2021

**Report on Compliance for Each Major State Program; Report on
Internal Control Over Compliance; In Accordance with OMB Uniform Guidance;
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

W Greene, PLLC

Whiteville, North Carolina
January 25, 2021

TOWN OF NAVASSA, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(s)	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

TOWN OF NAVASSA, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2020

SECTION I. SUMMARY OF AUDITOR'S RESULTS (Continued)

State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified that are
not considered to be material weaknesses _____ Yes X None

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

Any audit findings disclosed that are required to be reported in
accordance with the State Single Audit Implementation Act _____ Yes X No

Identification of major state programs:

Program Name

NC Office of Recovery and Resiliency Grant

TOWN OF NAVASSA, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding: 2020-001

MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The expenditures made in the Town's General Fund for General Government and in the Water and Sewer Fund for Water Operations and Debt Service exceeded the authorized appropriations made in the annual budget by \$232,067, \$34,761 and \$2,393, respectively.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan.

TOWN OF NAVASSA, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

Finding: 2020-002

SIGNIFICANT DEFICIENCY

Criteria:	Certain matters related to internal control over financial reporting are required to be communicated.
Condition:	The Town recorded an adjustment to correct beginning net position in the amount of \$23,891.
Effect:	This is an indicator of a control deficiency that is regarded as a significant deficiency.
Cause:	It was determined that an installment agreement was not properly recorded, so an adjustment was required to correct the beginning balance.
Recommendation:	The Town should implement controls that will require reviews of balance sheet accounts to ensure that balances are correct.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding. Efforts will be made to ensure timely reviews. Please refer to the corrective action plan.

TOWN OF NAVASSA, NORTH CAROLINA

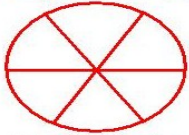
Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2020

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

People Working



For People

TOWN OF NAVASSA
334 MAIN STREET
NAVASSA, NC 28451
Phone: (910) 371-2432
Fax: (910) 371-0041
www.townofnavassa.org

Town Council
Eulis A. Willis, Mayor
Jerry Merrick, Mayor Pro Tem
William Ballard
Minnie Brown
Antonio Burgess
James Hardy

Claudia A. Bray, Town Administrator

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

Finding: 2020-001

Name of Contact Person: Claudia A. Bray, Town Administrator

Corrective Action: The Town will make budget amendments before expenditures are made that exceed the budget and will review budget-to-actual reports regularly.

Proposed Completion Date: Immediately

Finding: 2020-002

Name of Contact Person: Claudia A. Bray, Town Administrator

Corrective Action: The Town will review the financial statements and ensure that balances are correct prior to issuance of the financial statements.

Proposed Completion Date: Immediately

TOWN OF NAVASSA, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
Direct Program					
Community Facilities Loans and Grants	10.766	-	\$ 38,500	\$ -	\$ -
Total U.S. Department of Agriculture			<u>38,500</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Passed thru N.C. Department of Public Safety					
Division of Emergency Management					
Public Assistance - Disaster Grants	97.036	-	183,128	61,042	-
Total U.S. Department of Homeland Security			<u>183,128</u>	<u>61,042</u>	<u>-</u>
Total Federal Awards			<u>221,628</u>	<u>61,042</u>	<u>-</u>
State Awards:					
Cash Assistance					
<u>N.C. Department of Transportation</u>					
Powell Bill	-	DOT-4	-	65,015	-
Bike Path Grant	-		-	43,177	-
<u>N.C. Department of Public Safety</u>					
North Carolina Office of Recovery and Resiliency Grant	-	-	-	375,000	-
Total State Awards			<u>-</u>	<u>483,192</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 221,628</u>	<u>\$ 544,234</u>	<u>\$ -</u>

TOWN OF NAVASSA, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

I. BASIS OF PRESENTATION

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Town of Navassa, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

III. CORONAVIRUS RELIEF FUNDS

Town of Navassa, North Carolina received \$25,214 of funding from the Coronavirus Relief Fund (21.019) from Brunswick County. Town of Navassa has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

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