

TOWN OF OLD FORT, NORTH CAROLINA

Financial Statements, Management's Discussion and Analysis,
Supplemental Schedules and Independent Auditors' Report
For the Year Ended June 30, 2020

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

TOWN OF OLD FORT, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS **June 30, 2020**

Mayor & Board of Aldermen

Mayor	Rickey Hensley
Aldermen	Andrew Carlton Jamie Grindstaff Jerome Effler Melvin Lytle, Jr. Wayne Stafford

Town Administration

Town Attorney	Larry McMahon
Finance Officer	Renee' Taylor
Police Chief	Melvin Lytle, Jr.
Public Works Director	Melvin Lytle, Jr.

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TOWN OF OLD FORT, NORTH CAROLINA

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Old Fort, 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 Old Fort, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Old Fort, North Carolina'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.

Auditors' 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 from 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Fort, North Carolina, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows 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 Systems Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-11 and 45-48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Fort, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the 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, the individual fund financial statements, budgetary schedules and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2020 on our consideration of the Town of Old Fort, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Old Fort, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Old Fort, North Carolina's internal control over financial reporting and compliance.

Louise Smith Church & Co., L.L.P.

Morganton, North Carolina
September 18, 2020

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Management's Discussion and Analysis

As management of the Town of Old Fort, we offer readers of the Town of Old Fort's financial statements this narrative overview and analysis of the financial activities of the Town of Old Fort 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.

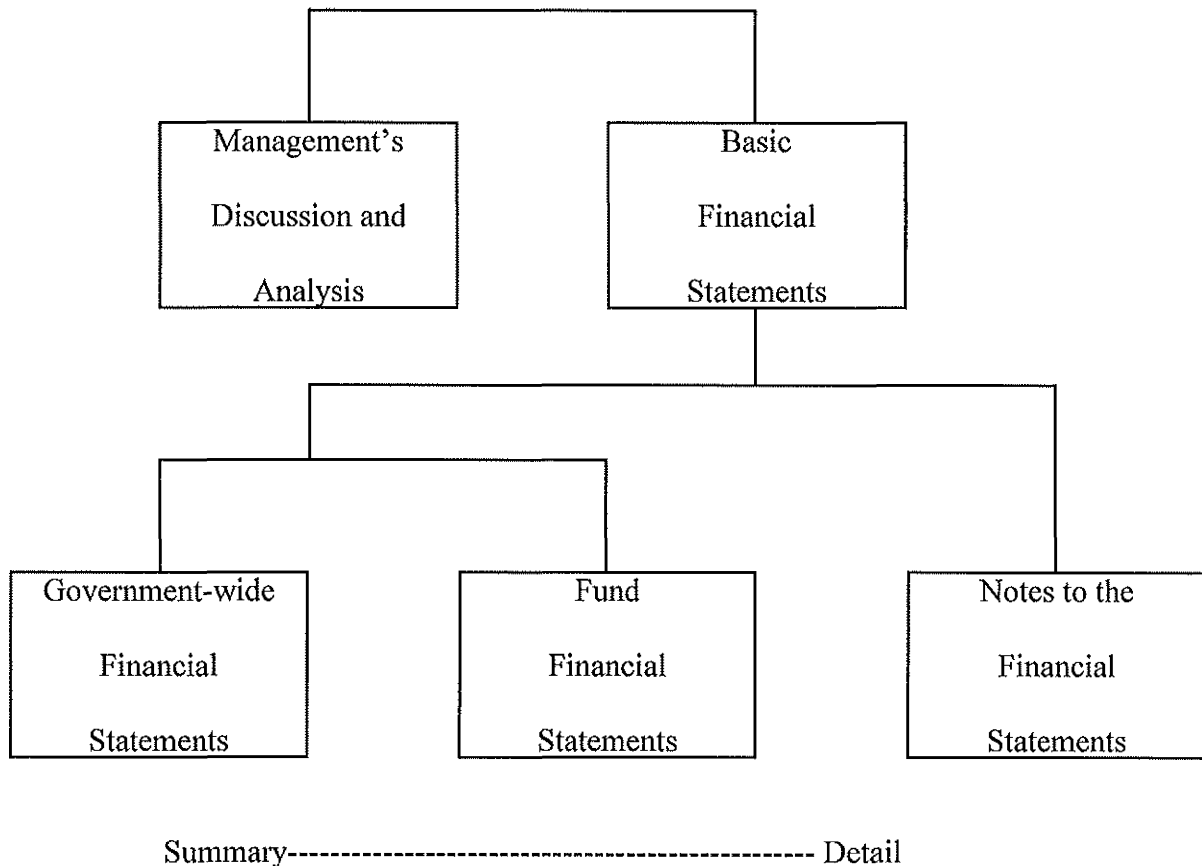
Financial Highlights

- The assets and deferred outflows of resources of the Town of Old Fort exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,962,794 (net position).
- The government's total net position increased by \$118,570 due to increases in the governmental and decreases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Old Fort's governmental funds reported combined ending fund balances of \$2,181,725, with a net change of \$238,384 in fund balance. Approximately 7.35 percent of this total amount, or \$160,346, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,021,379 or 208.83 percent of total General Fund expenditures for the fiscal year.
- The Town of Old Fort's total debt increased by \$3,161, or 0.33%, during the current fiscal year. The key factor in this increase was principal payments on debt and an increase in pension related debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Old Fort'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 Old Fort.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town of Old Fort 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 - The Town of Old Fort has one 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 Old Fort uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 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 Old Fort's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary information can be found beginning on page 45 of this report.

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

Government-Wide Financial Analysis

Town of Old Fort's Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$2,218,427	\$1,989,546	\$ 995,773	\$ 984,489	\$ 3,214,200	\$ 2,974,035
Capital assets	1,883,235	1,950,315	5,788,273	5,855,059	7,671,508	7,805,374
Deferred outflows of resources	97,148	97,821	14,342	13,586	111,490	111,407
Total assets and deferred outflows of resources	4,198,810	4,037,682	6,798,388	6,853,134	10,997,198	10,890,816
Long-term liabilities outstanding	233,533	204,858	735,457	760,972	968,990	965,830
Other liabilities	24,786	28,708	38,494	48,723	63,280	77,431
Deferred outflows of resources	2,135	3,249	-	83	2,135	3,332
Total liabilities and deferred outflows of resources	260,454	236,815	773,951	809,778	1,034,405	1,046,593
Net position:						
Net investment in capital assets	1,850,274	1,908,053	5,074,773	5,110,059	6,925,047	7,018,112
Restricted	160,346	89,221	-	-	160,346	89,221
Unrestricted	1,927,737	1,803,594	949,664	933,297	2,877,401	2,736,891
Total net position	\$3,938,357	\$3,800,868	\$6,024,437	\$6,043,356	\$ 9,962,794	\$ 9,844,224

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 Old Fort exceeded liabilities and deferred inflows by \$9,962,794 as of June 30, 2020. The Town's net position decreased by \$118,570 for the fiscal year ended June 30, 2020. However, the largest portion (69.51%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Old Fort uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Old Fort's net

investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Old Fort's net position, \$160,346, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,877,401 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.39%, which is comparable to the statewide average for units without electrical systems of 99.30%.
- Operating grants of \$304,689.
- Governmental activities revenues increased and expenditures increased accordingly.
- Business-type activities revenues decreased and expenditures decreased. Expenditures decreased due to increases in maintenance in the prior year.

Town of Old Fort
Changes in Net Position
Figure 3

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 51,982	\$ 510,243	\$ 562,225	\$ 42,993	\$ 549,466	\$ 592,459
Operating grants and contributions	304,689	-	304,689	66,232	213,082	279,314
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	424,574	-	424,574	373,425	-	373,425
Other taxes	364,785	-	364,785	368,126	-	368,126
Other	54,749	12,070	66,819	33,425	11,774	45,199
Gain on sale of assets	-	-	-	37,500	-	37,500
Total revenues	<u>1,200,779</u>	<u>522,313</u>	<u>1,723,092</u>	<u>921,701</u>	<u>774,322</u>	<u>1,696,023</u>
Expenses:						
General government	436,704	-	436,704	378,294	-	378,294
Public safety	356,924	-	356,924	334,941	-	334,941
Transportation	195,720	-	195,720	188,504	-	188,504
Environmental protection	33,202	-	33,202	35,099	-	35,099
Interest	1,538	-	1,538	1,392	-	1,392
Water and sewer	-	580,432	580,432	-	849,126	849,126
Total expenses	<u>1,024,089</u>	<u>580,432</u>	<u>1,604,520</u>	<u>938,230</u>	<u>849,126</u>	<u>1,787,356</u>
Increase (decrease) in net position before transfers	176,690	(58,119)	118,571	(16,529)	(74,804)	(91,333)
Transfers	(39,200)	39,200	-	-	-	-
Increase (decrease) in net position	<u>\$ 137,489</u>	<u>\$ (18,919)</u>	<u>\$ 118,571</u>	<u>\$ (16,529)</u>	<u>\$ (74,804)</u>	<u>\$ (91,333)</u>
Net position, July 1	\$3,800,868	\$6,043,356	\$9,844,224	\$3,817,397	\$6,118,160	\$9,935,557
Increase (decrease) in net position	<u>137,489</u>	<u>(18,919)</u>	<u>118,571</u>	<u>(16,529)</u>	<u>(74,804)</u>	<u>(91,332)</u>
Net position - June 30	<u>\$3,938,357</u>	<u>\$6,024,437</u>	<u>\$9,962,794</u>	<u>\$3,800,868</u>	<u>\$6,043,356</u>	<u>\$9,844,224</u>

Governmental activities. Governmental activities increased the Town's net position by \$137,489. Key elements of this increase are as follows:

- Operating grants increased \$238,457.
- Increase in expenditures in the general government function.
- Property and other taxes were approximately \$51,000 higher than the prior year.
- Continued efforts to maximize tax collections.

Business-type activities: Business-type activities decreased the Town of Old Fort's net position by \$18,919. Key elements for this decrease are as follows:

- Decrease in charges for services during the current year due to a slowdown in the industrial base due to COVID-19.
- Decrease in operating expenditures due to a decrease in maintenance costs.
- No new major industries and the closing of one industry.
- Decrease in grant income.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Old Fort. At the end of the current fiscal year, the Town of Old Fort's fund balance available in the General Fund was \$2,078,154, while the total fund balance reached \$2,181,725. The Town currently has an available fund balance of 214.69 percent of General Fund expenditures, while the total fund balance represents 225.39 percent of the same amount.

At June 30, 2020, the governmental funds of the Town of Old Fort reported a combined fund balance of \$2,181,725, with a net increase in fund balance of \$238,384. Included in this change in fund balance is an increase in fund balance in the General Fund.

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.

Highlights include the following:

Anticipation of hurricane recovery damages revenue and related expenses.

To reallocate various expenses among line items.

Proprietary Funds. The Town of Old Fort'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 \$949,664. The total change in net position for this fund was \$(18,919). The change in net position in the Water and Sewer Fund is the result of a decrease in operating revenues due to a slowdown in industrial production due to COVID-19, a decrease in operating grants, and a decrease in expenditures.

Capital Asset and Debt Administration

Capital Assets. The Town of Old Fort's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$7,671,507 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- The Town purchased a snow plow for \$6,000 and purchased equipment for water and sewer improvements for \$141,576.

Town of Old Fort's Capital Assets
(Net of Depreciation)

Figure 4

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 252,694	\$ 5,006	\$ 257,701	\$ 252,694	\$ 5,006	\$ 257,701
Building and improvements	1,455,679	-	1,455,679	1,504,077	-	1,504,077
Furniture and equipment	136,248	130,026	266,273	151,862	141,822	293,684
Infrastructure	38,614	-	38,614	41,683	-	41,683
Distributions systems	-	5,653,241	5,653,241	-	5,708,231	5,708,231
Construction in progress	-	-	-	-	-	-
Total	<u>\$1,883,235</u>	<u>\$5,788,273</u>	<u>\$7,671,507</u>	<u>\$1,950,315</u>	<u>\$5,855,059</u>	<u>\$7,805,374</u>

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

Long-term Debt. As of June 30, 2020, the Town of Old Fort had total bonded debt outstanding of \$713,500. Of this, \$713,500 is debt backed by the full faith and credit of the Town.

Town of Old Fort's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$713,500	\$745,000	\$713,500	\$745,000
Installment purchase	32,961	42,262	-	-	32,961	42,262
Pension related debt (LGRS)	126,059	102,171	21,957	15,972	148,016	118,143
Pension related debt (LEO)	<u>74,513</u>	<u>60,424</u>	<u>-</u>	<u>-</u>	<u>74,513</u>	<u>60,424</u>
Total	<u>\$233,533</u>	<u>\$204,857</u>	<u>\$735,457</u>	<u>\$760,972</u>	<u>\$968,990</u>	<u>\$965,829</u>

Town of Old Fort's Outstanding Debt

The Town of Old Fort's total debt increased by \$3,161, (0.33%) during the past fiscal year, primarily due to the principal payments on debt and an increase in pension related debt.

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 the Town of Old Fort is \$9,849,998.

Additional information regarding Town of Old Fort's long-term debt can be found in Note III-B-4 beginning on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Moderate unemployment. McDowell County, which includes the Town of Old Fort, has an unemployment rate of 6.9%. This is below the State average of 7.9%.
- A new elementary school that was being built was finished during the year.
- A few new businesses are anticipated in the next year.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Revenues from various sources are expected to decrease slightly in the coming year with an overall decrease in budgeted revenues to \$862,500. Budgeted expenditures in the General Fund are expected to decrease accordingly. The Town's tax rate will remain at 0.32 per \$100 valuation of property. Fees have not increased from the prior year. The Town has not appropriated fund balance in the fiscal year 2021 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position.

Business-type Activities: Water and sewer rates in the Town will remain the same, however, the Board will reassess the rates in January. The Town has budgeted revenues to decrease 7.1% from the prior year's budget due to some loss of industry and industrial slowdown. Budgeted expenses are expected to decrease accordingly.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Finance Officer, Town of Old Fort, 38 Catawba Avenue, Old Fort, N. C. 28762. You can also call 828-668-4244 or email at rtaylor@oldfortnc.com.

Basic Financial Statements

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TOWN OF OLD FORT, NORTH CAROLINA

Exhibit 1

Statement of Net Position June 30, 2020

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,046,165	\$ 877,992	\$ 2,924,157
Taxes receivable - net	11,917	-	11,917
Accounts receivable - net	101,730	64,112	165,842
Due from other governments	1,840	-	1,840
Inventory	-	21,959	21,959
Restricted cash and cash equivalents	56,775	31,710	88,485
Total current assets	<u>2,218,427</u>	<u>995,773</u>	<u>3,214,201</u>
Capital assets:			
Land, non-depreciable assets and construction in progress	252,694	5,006	257,700
Other capital assets, net of depreciation	1,630,541	5,783,267	7,413,808
Total capital assets	<u>1,883,235</u>	<u>5,788,273</u>	<u>7,671,507</u>
Total assets	<u>4,101,662</u>	<u>6,784,046</u>	<u>10,885,708</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	<u>97,148</u>	<u>14,342</u>	<u>111,490</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	24,786	6,784	31,569
Deposits	-	31,710	31,710
Long-term liabilities:			
Due within one year	9,685	33,000	42,685
Total current liabilities	<u>34,470</u>	<u>71,494</u>	<u>105,964</u>
Net pension liability	126,059	21,957	148,016
Total pension liability	74,513	-	74,513
Due in more than one year	23,276	680,500	703,776
Total liabilities	<u>258,318</u>	<u>773,951</u>	<u>1,032,269</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	<u>2,135</u>	<u>-</u>	<u>2,135</u>
<u>Net Position</u>			
Net investment in capital assets	1,850,274	5,074,773	6,925,047
Restricted for:			
Stabilization by State Statute	103,571	-	103,571
Streets	56,708	-	56,708
Public safety	67	-	67
Unrestricted	1,927,737	949,664	2,877,401
Total net position	<u>\$ 3,938,357</u>	<u>\$ 6,024,437</u>	<u>\$ 9,962,794</u>

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

TOWN OF OLD FORT, NORTH CAROLINA

Exhibit 2

Statement of Activities For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 436,704	\$ 1,370	\$ 10	\$ -	\$ (435,324)	\$ -
Public safety	356,924	24,257	36,072	-	(296,595)	-
Transportation	195,720	-	29,159	-	(166,561)	-
Environmental protection	33,202	26,355	-	-	(6,847)	-
Cultural and recreational	-	-	239,447	-	239,447	-
Interest on long-term debt	-1,538	-	-	-	(1,538)	-
Total governmental activities	<u>1,024,089</u>	<u>51,982</u>	<u>304,689</u>	<u>-</u>	<u>(667,417)</u>	<u>-</u>
Business-type activities						
Water and sewer	580,432	510,243	-	-	-	(70,189)
Total	<u>\$1,604,521</u>	<u>\$ 562,225</u>	<u>\$ 304,689</u>	<u>\$ -</u>	<u>(667,417)</u>	<u>(70,189)</u>
General revenues:						
Taxes:						
Property taxes					424,574	-
Local option sales tax					163,788	-
Other taxes					200,997	-
Unrestricted investment earnings					30,595	2,350
Miscellaneous					24,154	9,720
Transfers					(39,200)	39,200
Total general revenues, special items and transfers					<u>804,908</u>	<u>51,270</u>
Changes in net position					<u>\$ 137,489</u>	<u>\$ (18,919)</u>
Net position - beginning					\$ 3,800,868	\$ 6,043,356
Changes in net position					137,489	(18,919)
Net position - ending					<u>\$ 3,938,357</u>	<u>\$ 6,024,437</u>

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 3****Balance Sheet
Governmental Funds
June 30, 2020**

	Major Fund General Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 2,046,165
Restricted cash and cash equivalents	56,775
Receivables (net):	
Taxes	11,917
Accounts	101,730
Due from other governments	<u>1,840</u>
Total assets	<u><u>\$ 2,218,427</u></u>
<u>Liabilities</u>	
Liabilities:	
Accounts payable and other current liabilities	<u>\$ 24,786</u>
<u>Deferred Inflows of Resources</u>	
Property taxes receivable	<u>11,917</u>
Total deferred inflows of resources	<u>11,917</u>
<u>Fund Balances</u>	
Restricted:	
Stabilization by State statute	103,571
Streets	56,708
Public safety	67
Unassigned	<u>2,021,379</u>
Total fund balances	<u>2,181,725</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,218,427</u></u>

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
For the Year Ended June 30, 2020**

Total governmental fund balances	\$ 2,181,725
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	3,518,075
Accumulated depreciation	(1,634,840)
Deferred outflows of resources related to pension are not reported in the funds	
	97,148
Earned revenues considered deferred inflows of resources in fund statements.	
Property taxes receivable	11,917
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds.	
Long-term debt	(32,961)
Net pension liability	(126,059)
Total pension liability	(74,513)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(2,135)</u>
Net position of governmental activities	<u>\$ 3,938,357</u>

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 5****Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020**

	Major Fund General Fund
Revenues:	
Ad valorem taxes	\$ 430,154
Other taxes and licenses	165,158
Unrestricted intergovernmental	200,997
Restricted intergovernmental	299,679
Investment earnings	30,595
Miscellaneous	<u>79,776</u>
Total revenues	<u>1,206,358</u>
Expenditures:	
General government	381,434
Public safety	315,873
Transportation	187,662
Environmental protection	32,965
Debt service:	
Principal retirement	9,302
Interest	<u>1,538</u>
Total expenditures	<u>928,774</u>
Revenues over (under) expenditures	277,584
Other Financing Sources (Uses):	
Transfers (to) from other funds	-
General Fund	<u>(39,200)</u>
Net changes in fund balances	238,384
Fund balances, beginning	<u>1,943,341</u>
Fund balances, ending	<u><u>\$ 2,181,725</u></u>

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 6****Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds \$ 238,384

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

Capital outlay expenditures which were capitalized 6,000
Depreciation expense for governmental assets (73,081)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 30,862

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.
Change in unavailable revenue for tax revenues (5,580)

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 the 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.

Principal payments on long-term debt 9,302

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 (68,398)

Total changes in net position of governmental activities \$ 137,489

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 7****General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			Variance
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 375,000	\$ 390,100	\$ 430,154	\$ 40,054
Other taxes and licenses	152,400	152,400	165,158	12,758
Unrestricted intergovernmental	195,500	195,500	200,997	5,497
Restricted intergovernmental	57,050	203,134	299,679	96,545
Investment earnings	12,000	12,000	30,595	18,595
Miscellaneous	65,600	65,600	79,776	14,176
Total revenues	<u>857,550</u>	<u>1,018,734</u>	<u>1,206,358</u>	<u>187,624</u>
Expenditures:				
General government	258,870	392,304	381,434	10,870
Public safety	326,080	324,830	315,873	8,957
Transportation	227,700	217,500	187,662	29,838
Environmental protection	34,000	34,000	32,965	1,035
Debt service:				
Principal retirement	9,362	9,362	9,302	60
Interest	1,538	1,538	1,538	-
Total expenditures	<u>857,550</u>	<u>979,534</u>	<u>928,774</u>	<u>50,760</u>
Revenues over (under) expenditures	-	39,200	277,584	238,384
Other Financing Sources (Uses):				
Water and Sewer Fund	-	(39,200)	(39,200)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	238,384	<u>\$ 238,384</u>
Fund balance, beginning			<u>1,943,341</u>	
Fund balance, ending			<u>\$ 2,181,725</u>	

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 8****Statement of Fund Net Position
Proprietary Fund
June 30, 2020**

	<u>Water and Sewer Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 877,992
Accounts receivable - net	64,112
Inventory	21,959
Restricted cash and cash equivalents	31,710
Total current assets	<u>995,773</u>
Capital assets:	
Land, non-depreciable assets and construction in progress	5,000
Other capital assets, net of depreciation	<u>5,783,273</u>
Total capital assets	<u>5,788,273</u>
Total assets	<u>6,784,046</u>
<u>Deferred Outflows of Resources</u>	
Pension deferrals	<u>14,342</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other current liabilities	6,784
Deposits	31,710
General obligation bond - current	<u>33,000</u>
Total current liabilities	<u>71,494</u>
Noncurrent liabilities:	
Net pension liability	21,957
General obligation bond - noncurrent	<u>680,500</u>
Total noncurrent liabilities	<u>702,457</u>
Total liabilities	<u>773,951</u>
<u>Deferred Inflows of Resources</u>	
<u>Net Position</u>	
Net investment in capital assets	5,074,773
Unrestricted	<u>949,664</u>
Total net position	<u>\$ 6,024,437</u>

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

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 9****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	\$ 371,555
Other operating revenues	138,688
Total operating revenues	<u>510,243</u>

Operating Expenses:

Water treatment and distribution	267,927
Waste collection and treatment	70,734
Depreciation	208,362
Total operating expenses	<u>547,024</u>

Operating income (loss)	<u>(36,781)</u>
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Nonoperating Revenues (Expenses):

Miscellaneous	9,720
Interest on investments	2,350
Interest expense	(33,408)
Transfer from the General Fund	39,200
Total nonoperating revenues (expenses)	<u>17,862</u>

Change in net position	(18,919)
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Total net position - beginning	<u>6,043,356</u>
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Total net position - ending	<u><u>\$ 6,024,437</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF OLD FORT, NORTH CAROLINA**Exhibit 10****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	\$ 549,235
Cash paid for goods and services	(277,333)
Cash paid to or on behalf of employees for services	(83,165)
Net cash provided by (used for) operating activities	<u>188,737</u>
Cash Flows From Non-Capital Financing Activities:	
Transfers in (out)	<u>39,200</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(141,576)
Principal payments on capital lease, notes and general obligation bonds payable	(31,500)
Interest paid on capital lease, notes and general obligation bonds payable	(33,523)
Other non-operating receipts	<u>9,720</u>
Net cash provided by (used for) capital and related financing activities	<u>(196,879)</u>
Cash Flows From Investing Activities:	
Interest earned on investments	<u>2,350</u>
Net increase (decrease) in cash and cash equivalents	33,408
Cash and cash equivalents - beginning of year	<u>876,294</u>
Cash and cash equivalents - end of year	<u><u>\$ 909,702</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (36,781)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	208,362
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	38,992
(Increase) decrease in inventory	(16,869)
(Increase) decrease in deferred outflows of resources - pensions	(756)
Increase (decrease) in accounts payable and accrued expenses	(11,373)
Increase (decrease) in customer deposits	1,260
Increase (decrease) in net pension liability	5,985
Increase (decrease) in deferred inflows of resources - pensions	<u>(83)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 188,737</u></u>

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

Notes to the Financial Statements

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TOWN OF OLD FORT, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Old Fort 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 Old Fort is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the 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 are generally 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 expense 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

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

The Town does not have any non-major governmental fund.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's 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 the enterprise fund 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 beer and wine tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Old Fort because the tax is levied by McDowell County and then remitted to, and distributed by, the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for any Capital Projects and Special Revenue Funds and the Enterprise Fund Capital Projects Fund, if applicable. The enterprise fund projects are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund, however, the Town Finance Officer is authorized by budget ordinance to transfer appropriations between functional areas within a fund. All amendments must be approved by the Board of Aldermen. The governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

The Town is not required by State law (G.S. 159-26 (d)), to maintain encumbrance accounts which are considered to be "budgetary accounts". As such, the Town does not maintain encumbrance accounts.

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 reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before services are supplied are restricted to the service for which the deposit was collected. Powell Bill Funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash because it can be expended only for the purposes of expenses associated with forfeited operations or used to finance certain general investigative expenses.

Town of Old Fort Restricted Cash

Governmental Activities

General Fund

Streets

\$56,708

Public safety

67

Total governmental activities

56,775

Business-type Activities

Water and Sewer Fund

Customer deposits

31,710

Total restricted cash

\$88,485

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.

5. Inventory

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. 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 at estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired, or that received substantial improvements subsequent to July 1, 1980, and are reported at cost. The cost of normal maintenance and repairs that does not add to the value of the asset, or materially extend assets' lives, is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Deferred Outflows/Inflows of Resources

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

8. Long-Term Obligations

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

9. Compensated Absences

Personnel policies of the Town require all Town employees to use their vacation time by June 15th of each year. Any vacation not taken as of June 15th is converted into sick time. Unused sick leave does not vest to the employee, and as such, is not paid upon termination. Unused current year's vacation accrual is paid upon termination.

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 benefits purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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:

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

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

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

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

Restricted for Streets - the 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 Public Safety - the portion of fund balance that is restricted by revenue source for drug enforcement. This amount represents the balance of total unexpended Federal Asset Seizure Funds.

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

Assigned Fund Balance - the portion of fund balance that Town of Old Fort intends to use for specific purposes.

Subsequent year's expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

The Town of Old Fort does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

11. 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 Old Fort's employer contributions are recognized when due, and the Town of Old Fort 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.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

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

1. Noncompliance with North Carolina General Statutes

During our examination we found no instances of noncompliance.

2. Contractual Violations

During our examination we found no instances of contractual violations.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town'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 the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,578,053 and a bank balance of \$2,595,376. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash funds totaled \$60.

2. Investments

At June 30, 2020, the Town of Old Fort, North Carolina had \$434,529 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

At June 30, 2020, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	\$434,529	N/A	AAAm

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

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

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limit the Town's investments to the provisions of G. S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020.

3. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 252,694	\$ -	\$ -	\$ 252,694
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>252,694</u>	<u>-</u>	<u>-</u>	<u>252,694</u>
Capital assets being depreciated:				
Buildings and improvements	2,302,220	-	-	2,302,220
Furniture and equipment	790,898	6,000	-	796,898
Infrastructure	<u>166,262</u>	<u>-</u>	<u>-</u>	<u>166,262</u>
Total capital assets being depreciated	<u>3,259,380</u>	<u>6,000</u>	<u>-</u>	<u>3,265,380</u>
Less accumulated depreciation for:				
Buildings and improvements	798,143	48,397	-	846,540
Furniture and equipment	639,037	21,615	-	660,652
Infrastructure	<u>124,579</u>	<u>3,069</u>	<u>-</u>	<u>127,648</u>
Total accumulated depreciation	<u>1,561,759</u>	<u>73,081</u>	<u>-</u>	<u>1,634,840</u>
Total capital assets being depreciated, net	<u>1,697,621</u>	<u>(67,081)</u>	<u>-</u>	<u>1,630,541</u>
Governmental activities capital assets, net	<u>\$ 1,950,315</u>	<u>\$(67,081)</u>	<u>\$ -</u>	<u>\$1,883,235</u>

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

General government	\$48,059
Public safety	17,436
Transportation	7,349
Public works	<u>237</u>
Total depreciation expense	<u>\$73,081</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 5,006	\$ -	\$ -	\$ 5,006
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>5,006</u>	<u>-</u>	<u>-</u>	<u>5,006</u>
Capital assets being depreciated:				
Buildings and improvements	321,190	-	-	321,190
Plant and distribution systems	9,763,547	141,576	-	9,905,123
Furniture and equipment	<u>497,055</u>	<u>-</u>	<u>-</u>	<u>497,055</u>
Total capital assets being depreciated	<u>10,581,792</u>	<u>141,576</u>	<u>-</u>	<u>10,723,368</u>
Less accumulated depreciation for:				
Buildings and improvements	321,190	-	-	321,190
Plant and distribution systems	4,055,317	196,566	-	4,251,883
Furniture and equipment	<u>355,234</u>	<u>11,796</u>	<u>-</u>	<u>367,030</u>
Total accumulated depreciation	<u>4,731,740</u>	<u>208,362</u>	<u>-</u>	<u>4,940,103</u>
Total capital assets being depreciated, net	<u>5,850,052</u>	<u>(66,786)</u>	<u>-</u>	<u>5,783,267</u>
Business-type activities capital assets, net	<u>\$ 5,855,059</u>	<u>\$ (66,786)</u>	<u>\$ -</u>	<u>\$ 5,788,273</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Old Fort employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Old Fort's contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Old Fort were \$36,237 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$148,016 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 0.00542%, which was an increase of 0.00044% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$69,312. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$25,344	\$ -
Changes of assumptions	24,124	-
Net difference between projected and actual earnings on pension plan investments	3,611	-
Changes in proportion, and differences between, Town contributions and proportionate share of contributions	7,363	-
Town contributions subsequent to the measurement date	<u>36,237</u>	<u>-</u>
Total	<u>\$96,679</u>	<u>\$ -</u>

\$36,237, 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$29,133
2022	9,959
2023	16,067
2024	5,283
2025	-
Thereafter	-

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	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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)	<u>\$338,540</u>	<u>\$148,016</u>	<u>\$(10,348)</u>

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Old Fort 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 credible service or have attained 55 years of age and have completed five or more years of credible 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 are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to, but not yet receiving, benefits	0
Active plan members	<u>4</u>
Total	<u>4</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.

3. Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

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

4. Contributions

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. 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.

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 \$74,513. 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 \$9,607.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$10,800	\$ -
Changes of assumptions	4,011	2,135
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$14,811</u>	<u>\$2,135</u>

\$-0- paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ending June 30:

2021	\$3,017
2022	3,017
2023	3,115
2024	1,959
2025	1,185
Thereafter	383

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 one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$81,532</u>	<u>\$74,513</u>	<u>\$68,106</u>

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

Beginning balance	\$60,424
Service cost	4,391
Interest on the total pension liability	2,199
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	4,995
Changes of assumptions or other inputs	2,504
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$74,513</u>

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 69,312	\$9,607	\$78,919
Pension liability	148,016	74,513	222,529
Proportionate share of the net pension liability	0.00542%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	25,344	10,800	36,144
Changes of assumptions	24,124	4,011	28,135
Net difference between projected and actual earnings on plan investments	3,611	-	3,611
Changes in proportion, and differences between, contributions and proportionate share of contributions	7,363	-	7,363
Benefit payments and administrative costs paid subsequent to the measurement date	36,237	-	36,237
Deferred of inflows of resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	2,135	2,135
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the Plan. The Town made contributions of \$8,130 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (the 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 contribution to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. 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 the current fiscal year	\$ 36,237
Benefit payments made and administrative expenses for LEOSA	-
Differences between expected and actual experience	36,144
Changes of assumptions	28,135
Net difference between projected and actual	3,611
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>7,363</u>
Total	<u>\$111,490</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$24,786
Changes in assumptions	2,135	-
Differences between expected and actual experience	-	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	-	-
Total	<u>\$2,135</u>	<u>\$24,786</u>

3. 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 one self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town has workers' compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for single occurrence claims in excess of \$250,000 up to \$5 million.

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

The Town does not carry flood insurance, as the Town is not in an area of the State designated as a flood plain.

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 town clerk are each individually bonded for \$50,000.

4. Long-Term Obligations

a. Installment Purchase

In September 2018, the Town entered into \$49,000 of a direct borrowing installment purchase to finance a vehicle. The finance contract requires principal payments beginning in October 2018 with interest of 3.990%.

The vehicle is pledged as collateral for the debt. \$32,961

b. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system, and which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. In the event of a default, the Town agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements. Principal and interest requirements are appropriated when due.

\$1,169,000 of direct placement Sanitary Sewer Bond, Series A,
No. R-1, dated April 7, 1997, bearing interest
at the rate of 4.50 percent.

Payable June 1, 1997 and annually thereafter on June 1 \$713,500

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

	General Obligation Bonds		Loans Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:						
2021	\$ -	\$ -	\$ 9,685	\$ 1,155	\$ 9,685	\$ 1,155
2022	-	-	10,084	756	10,084	756
2023	-	-	10,500	341	10,500	341
2024	-	-	2,692	9	2,692	9
2025	-	-	-	-	-	-
Total governmental activities	-	-	<u>32,961</u>	<u>2,261</u>	<u>32,961</u>	<u>2,261</u>
Business-type Activities:						
2021	33,000	32,108	-	-	33,000	32,108
2022	34,500	30,623	-	-	34,500	30,623
2023	36,000	29,070	-	-	36,000	29,070
2024	37,500	27,450	-	-	37,500	27,450
2025	39,500	25,763	-	-	39,500	25,763
2026-2029	222,000	100,620	-	-	222,000	100,620
2030-2034	259,000	46,755	-	-	259,000	46,755
2035-2039	52,000	2,340	-	-	52,000	2,340
Thereafter	-	-	-	-	-	-
Total business-type activities	<u>713,500</u>	<u>294,728</u>	-	-	<u>713,500</u>	<u>294,728</u>
Total	<u>\$ 713,500</u>	<u>\$ 294,728</u>	<u>\$ 32,961</u>	<u>\$ 2,261</u>	<u>\$ 746,461</u>	<u>\$ 296,989</u>

At June 30, 2020, the Town of Old Fort had bonds authorized, but unissued, of \$-0- and a legal debt margin of \$9,849,998.

c. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increase	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Net pension liability (LGERS)	\$102,571	\$23,488	\$ -	\$126,059	\$ -
Total pension liability (LEO)	60,424	14,089	-	74,513	-
Direct borrowing installment purchase	<u>42,263</u>	<u>-</u>	<u>9,302</u>	<u>32,961</u>	<u>9,685</u>
Governmental activity - long-term liabilities	<u>\$205,258</u>	<u>\$37,577</u>	<u>\$ 9,302</u>	<u>\$233,533</u>	<u>\$9,685</u>
Business-type activities:					
Direct placement general obligation bonds	\$745,000	\$ -	\$31,500	\$713,500	\$33,000
Net pension liability (LGERS)	<u>15,972</u>	<u>5,985</u>	<u>-</u>	<u>21,957</u>	<u>-</u>
Business-type activities - long-term liabilities	<u>\$760,972</u>	<u>\$ 5,985</u>	<u>\$31,500</u>	<u>\$735,457</u>	<u>\$33,000</u>

C. Interfund Balances and Activity

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

From the General Fund to the Water and Sewer Fund to fund some system upgrades \$39,200

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

During the 2020 fiscal year, the Town made a one-time transfer from the General Fund of \$39,200 to the Water and Sewer Fund for system upgrades.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$1,883,235	\$5,788,273
Less: long-term debt	<u>(32,961)</u>	<u>(713,500)</u>
Net investment in capital assets	<u>\$1,850,274</u>	<u>\$5,074,773</u>

E. Fund Balance

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

Total fund balance-General Fund	\$2,181,725
Less:	
Stabilization by State Statute	103,571
Streets-Powell Bill	56,708
Public Safety	67
Appropriated Fund Balance in 2021 Budget	<u>-</u>
Remaining Fund Balance	<u>\$2,021,379</u>

IV. Jointly Governed Organization

The Town, in conjunction with four counties and twenty-four other municipalities, established the Isothermal Planning & Development Commission (the Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The Town paid membership fees of \$603 to the Commission during the fiscal year ended June 30, 2020.

V. Related Party Transactions

The chief of police is an elected member of the Board of Aldermen. Per G.S. 160A-158, this individual can serve in both the capacity as head of a Town department and on the Board of Aldermen. Serving in both capacities is allowed due to the population of the Town of Old Fort being under the 5,000 population threshold. There are no financial transactions other than reasonable compensation paid to him in the position of chief of police.

VI. 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.

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through September 18, 2020, the date on which the financial statements were available to be issued and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant declines. The declines impacting the Town of Old Fort, North Carolina are not reflected in the financial statements for the year ended June 30, 2020, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of September 18, 2020.

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Required Supplementary Financial Data

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TOWN OF OLD FORT, NORTH CAROLINA**Town of Old Fort's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*
Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Old Fort's proportion of the net pension liability (asset) (%)	0.00542%	0.00498%	0.00475%	0.00447%	0.00346%	0.00334%	0.00400%
Town of Old Fort's proportion of the net pension liability (asset) (\$)	\$148,016	\$118,143	\$ 72,567	\$ 94,868	\$ 15,528	\$ (19,698)	\$ 48,215
Town of Old Fort's covered payroll	\$373,122	\$320,981	\$265,023	\$242,630	\$206,197	\$228,543	\$220,640
Town of Old Fort's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.67%	36.81%	27.38%	39.10%	7.53%	(8.62)%	21.85%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

*The amount presented for each fiscal year was 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 OLD FORT, NORTH CAROLINA**Town of Old Fort's Contributions
Required Supplementary Information
Last Seven Fiscal Years
Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 36,237	\$ 30,102	\$ 25,015	\$ 19,975	\$ 15,528	\$ 14,891	\$ 16,357
Contributions in relation to the contractually required contributions	<u>36,237</u>	<u>30,102</u>	<u>25,015</u>	<u>19,975</u>	<u>15,528</u>	<u>14,891</u>	<u>16,357</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Old Fort's covered-employee payroll	\$391,512	\$373,122	\$320,981	\$265,023	\$242,630	\$206,197	\$228,543
Contributions as a percentage of covered employee payroll	9.26%	8.07%	7.79%	7.54%	6.40%	7.22%	7.16%

TOWN OF OLD FORT, NORTH CAROLINA

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 60,424	\$ 55,171	\$ 37,425	\$ 33,903
Service cost	4,391	3,583	3,486	3,348
Interest on the total pension liability	2,199	1,743	1,445	1,210
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,995	2,520	9,229	-
Changes of assumptions or other inputs	2,504	(2,593)	3,586	(1,036)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 74,513</u>	<u>\$ 60,424</u>	<u>\$ 55,171</u>	<u>\$ 37,425</u>

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

TOWN OF OLD FORT, NORTH CAROLINA

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 74,513	\$ 60,424	\$ 55,171	\$ 37,425
Covered payroll	165,310	126,789	159,040	134,969
Total pension liability as a percentage of covered payroll	45.07%	47.66%	34.69%	27.73%

Notes to the schedules:

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

General Fund

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

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TOWN OF OLD FORT, NORTH CAROLINA**Exhibit A-1
Page 1 of 4**

**General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	<u>2020</u>		<u>Variance</u>	<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues:				
Ad valorem taxes:				
Current year	\$ 382,100	\$ 418,322	\$ 36,222	\$ 1,564
Prior years	6,000	10,012	4,012	370,822
Penalties and interest	2,000	1,820	(180)	2,206
Total	<u>390,100</u>	<u>430,154</u>	<u>40,054</u>	<u>374,592</u>
Other taxes and licenses:				
Privilege licenses	2,000	1,370	(630)	1,698
Local option sales tax	<u>150,400</u>	<u>163,788</u>	<u>13,388</u>	<u>160,860</u>
Total	<u>152,400</u>	<u>165,158</u>	<u>12,758</u>	<u>162,557</u>
Unrestricted intergovernmental:				
Utilities franchise tax	141,500	147,062	5,562	150,020
Hold harmless	<u>54,000</u>	<u>53,935</u>	<u>(65)</u>	<u>57,246</u>
Total	<u>195,500</u>	<u>200,997</u>	<u>5,497</u>	<u>207,266</u>
Restricted intergovernmental:				
Powell Bill	29,000	29,159	159	29,376
Other federal and state grants	<u>174,134</u>	<u>270,520</u>	<u>96,386</u>	<u>35,137</u>
Total	<u>203,134</u>	<u>299,679</u>	<u>96,545</u>	<u>64,513</u>
Investment earnings	<u>12,000</u>	<u>30,595</u>	<u>18,595</u>	<u>15,723</u>

cont.

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Revenues (Continued):				
Miscellaneous:				
Rents	\$ 19,600	\$ 17,845	\$ (1,755)	\$ 13,441
Sales of property	7,500	5,000	(2,500)	-
Miscellaneous	1,000	6,319	5,319	5,980
Officer fees	15,000	24,257	9,257	17,573
Garbage collections	22,500	26,355	3,855	23,722
Total	<u>65,600</u>	<u>79,776</u>	<u>14,176</u>	<u>60,717</u>
Total revenues	<u>1,018,734</u>	<u>1,206,358</u>	<u>187,624</u>	<u>885,368</u>
Expenditures:				
General government:				
Administration				
Salaries and wages	109,000	105,962	3,038	103,967
Professional fees	-	-	-	12,160
Payroll taxes	8,750	8,069	681	8,239
Group insurance	20,500	20,409	91	20,500
Retirement	8,600	7,969	631	6,784
Postage, phone, bank service charges	4,550	4,510	40	4,186
Utilities	11,500	9,793	1,707	8,374
Maintenance and repairs	7,000	6,874	126	4,483
Election expense	5,300	5,225	75	-
Office supplies	5,500	5,497	3	5,726
McDowell County vehicle tax	900	815	85	774
Auditor	12,000	11,930	70	12,240
Volunteer fire department	15,000	14,993	7	-
Computer programmer	8,350	8,301	49	7,927
Depot renovation	5,500	5,107	393	7,390
Dues and memberships	3,000	2,551	449	2,965
Insurance and bonds	19,620	19,154	466	15,175
Miscellaneous	5,500	4,997	503	8,701
Chamber of Commerce	5,500	3,986	1,514	-
Christmas decorations/lights	3,000	2,411	589	2,020
Donation/fireworks	14,000	13,650	350	13,878
Other donations	119,234	119,233	1	84,450
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,616</u>
Total general government	<u>392,304</u>	<u>381,434</u>	<u>10,870</u>	<u>339,554</u>

cont.

	2020			
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	2019 <u>Actual</u>
Expenditures (Continued):				
Public safety:				
Salaries and wages	\$ 196,250	\$ 193,504	\$ 2,746	\$ 180,667
Payroll taxes	14,800	14,144	656	13,430
Group insurance	22,900	22,579	321	22,129
Retirement	18,450	15,479	2,971	13,425
401 (K) retirement plan	8,580	8,130	450	7,897
Utilities	12,000	11,798	202	10,632
Maintenance and repairs	18,000	17,023	977	26,583
Automotive supplies	14,500	14,392	108	16,548
Departmental supplies	4,000	3,659	341	2,660
Uniforms	1,100	1,005	95	1,062
Insurance and bonds	14,000	14,000	-	14,675
Drug seizure expense	50	-	50	-
Miscellaneous	200	160	40	-
Capital outlay	-	-	-	49,000
Total public safety	<u>324,830</u>	<u>315,873</u>	<u>8,957</u>	<u>358,707</u>
Transportation:				
Streets and highways				
Salaries and wages	87,400	83,988	3,412	80,645
Payroll taxes	7,100	6,499	601	5,939
Group insurance	15,400	15,205	195	17,893
Retirement	7,600	7,414	186	5,822
Utilities	17,300	17,091	209	20,080
Maintenance and repairs	14,500	13,771	729	16,249
Automotive supplies	10,000	9,728	272	9,111
Departmental supplies	10,800	10,080	720	6,692
Uniforms	3,700	3,387	313	3,211
Insurance and bonds	14,500	14,500	-	15,597
Miscellaneous	200	-	200	-
Capital outlay	-	-	-	9,200
	<u>188,500</u>	<u>181,662</u>	<u>6,838</u>	<u>190,440</u>

cont.

	2020			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2019 Actual</u>
Expenditures (Continued):				
Powell Bill assistance				
Resurfacing/patching streets/sidewalks	\$ 20,000	\$ -	\$ 20,000	\$ -
Engineer or architect fees	3,000	-	3,000	-
Miscellaneous	6,000	6,000	-	-
	<u>29,000</u>	<u>6,000</u>	<u>23,000</u>	<u>-</u>
 Total transportation	 <u>217,500</u>	 <u>187,662</u>	 <u>29,838</u>	 <u>190,440</u>
 Environmental protection:				
Maintenance and repairs	2,000	1,954	46	1,422
County landfill tipping fee	12,000	11,944	56	10,617
Automotive supplies	6,000	5,765	235	6,318
Departmental supplies	4,000	3,302	698	5,729
Insurance and bonds	10,000	10,000	-	10,775
	<u>34,000</u>	<u>32,965</u>	<u>1,035</u>	<u>34,861</u>
 Total environmental protection	 <u>34,000</u>	 <u>32,965</u>	 <u>1,035</u>	 <u>34,861</u>
 Debt service:				
Public safety				
Principal retirement	9,362	9,302	60	7,807
Interest	1,538	1,538	-	323
	<u>10,900</u>	<u>10,840</u>	<u>60</u>	<u>8,130</u>
 Total debt service	 <u>10,900</u>	 <u>10,840</u>	 <u>60</u>	 <u>8,130</u>
 Total expenditures	 <u>979,534</u>	 <u>928,774</u>	 <u>50,760</u>	 <u>931,693</u>
 Revenues over (under) expenditures	 39,200	 277,584	 238,384	 (46,325)
 Other Financing Sources (Uses):				
Proceeds of borrowing	-	-	-	49,000
Sale of capital assets	-	-	-	37,500
Transfers (to) from other funds:				
Water and Sewer Fund	(39,200)	(39,200)	-	-
	<u>\$ -</u>	<u>238,384</u>	<u>\$ 238,384</u>	<u>40,175</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>238,384</u>	 <u>\$ 238,384</u>	 <u>40,175</u>
 Fund balance, beginning		<u>1,943,341</u>		<u>1,903,166</u>
 Fund balance, ending		<u>\$ 2,181,725</u>		<u>\$ 1,943,341</u>

Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

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TOWN OF OLD FORT, NORTH CAROLINA**Exhibit B-1****Page 1 of 2****Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Revenues:				
Operating revenues:				
Charge for services	\$ 381,623	\$ 371,555	\$ (10,068)	\$ 429,825
Other	140,550	138,688	(1,862)	119,642
Total operating revenues	<u>522,173</u>	<u>510,243</u>	<u>(11,930)</u>	<u>549,466</u>
Nonoperating revenues:				
Grant revenue	-	-	-	213,082
Miscellaneous	9,200	9,720	520	8,032
Investment earnings	<u>1,077</u>	<u>2,350</u>	<u>1,273</u>	<u>3,742</u>
Total nonoperating revenues	<u>10,277</u>	<u>12,070</u>	<u>1,793</u>	<u>224,856</u>
Budgetary appropriations:				
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>532,450</u>	<u>522,313</u>	<u>(10,137)</u>	<u>774,322</u>
Expenditures:				
Operating expenses:				
Water treatment and distribution:				
Salaries and benefits	94,700	92,831	1,869	87,287
Utilities	37,300	37,226	74	39,857
Supplies	74,000	55,675	18,325	70,204
Maintenance and repairs	54,860	54,129	731	170,189
Other operating expenses	23,000	22,919	81	28,154
Capital outlay	124,190	124,162	28	-
Increase (decrease) in inventory	<u>-</u>	<u>16,869</u>	<u>(16,869)</u>	<u>(11,105)</u>
	<u>408,050</u>	<u>403,813</u>	<u>4,237</u>	<u>384,585</u>

cont.

	2020		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Expenditures (continued):				
Waste collection and treatment:				
Contracted services	\$ -	\$ -	\$ -	\$ 555
Utilities	34,500	34,413	87	33,774
Supplies	-	-	-	2,311
Maintenance and repairs	-	-	-	144,079
Other operating expenses	36,460	36,321	139	31,524
Capital outlay	27,615	17,414	10,201	-
Debt service:				
Principal retirement	31,500	31,500	-	29,000
Interest	33,525	33,408	117	34,764
	<u>163,600</u>	<u>153,056</u>	<u>10,544</u>	<u>276,007</u>
Total expenditures	<u>571,650</u>	<u>556,869</u>	<u>14,781</u>	<u>660,591</u>
Revenues over (under) expenditures	(39,200)	(34,556)	4,644	113,731
Other Financing Sources (Uses):				
Transfer from General Fund	<u>39,200</u>	<u>39,200</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	4,644	<u>\$ 4,644</u>	113,731
Reconciliation of Budgetary Basis (Modified Accrual to Full Accrual):				
Cost of expenditures which were capitalized		141,576		-
Increase (decrease) in inventory		16,869		(11,105)
Increase in deferred outflows of resources-pensions		756		7,251
Increase in net pension liability		(5,985)		(8,448)
Decrease in deferred inflows of resources-pensions		83		228
Payment of debt principal		31,500		29,000
Depreciation expense		<u>(208,362)</u>		<u>(205,460)</u>
Change in net position		<u>\$ (18,919)</u>		<u>\$ (74,804)</u>

Other Schedules

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TOWN OF OLD FORT, NORTH CAROLINA**Exhibit C-1****Schedule of Ad Valorem Taxes Receivable
June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 423,858	\$ 421,283	\$ 2,575
2018 - 2019	5,486	-	4,295	1,191
2017 - 2018	1,756	-	839	917
2016 - 2017	1,626	-	498	1,128
2015 - 2016	574	-	163	411
2014 - 2015	457	-	154	303
2013 - 2014	600	-	79	521
2012 - 2013	988	-	80	908
2011 - 2012	2,294	-	4	2,290
2010 - 2011	1,673	-	-	1,673
2009 - 2010	2,043	-	2,043	-
	<u>\$ 17,497</u>	<u>\$ 423,858</u>	<u>\$ 429,438</u>	<u>\$ 11,917</u>

Reconciliation to Revenues

Taxes - Ad Valorem, General Fund	\$ 430,154
Amount written off for fiscal 2009 - 2010	2,043
Less interest collected	(1,820)
Miscellaneous adjustments	<u>(938)</u>
Total collections and credits	<u>\$ 429,438</u>

TOWN OF OLD FORT, NORTH CAROLINA

Exhibit C-2

Analysis of Current Tax Levy For the Year Ended June 30, 2020

	City - Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>		
Original levy:					
Property taxes at current year's rate	\$ 126,652,715	0.32	\$ 405,289	\$ 405,289	\$ -
Registered motor vehicles taxed at current year's rate	<u>5,753,125</u>	0.32	<u>18,410</u>	<u>-</u>	<u>18,410</u>
Total	<u>132,405,840</u>		<u>423,699</u>	<u>405,289</u>	<u>18,410</u>
Discoveries	71,580	0.32	229	229	-
Releases-property	<u>(21,681)</u>	0.32	<u>(69)</u>	<u>(69)</u>	<u>-</u>
Total	<u>49,899</u>		<u>160</u>	<u>160</u>	<u>-</u>
Total property valuation	<u>\$ 132,455,739</u>				
Net levy			423,858	405,448	18,410
Unpaid (by taxpayers) taxes at June 30, 2020			<u>(2,575)</u>	<u>(2,575)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 421,283</u>	<u>\$ 402,873</u>	<u>\$ 18,410</u>
Current levy collection percentage			<u>99.39%</u>	<u>99.36%</u>	<u>100.00%</u>

Compliance Section

**Independent Auditors' 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**

Schedule of Findings and Responses

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

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

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Old Fort, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Fort, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Old Fort, North Carolina's basic financial statements and have issued our report thereon dated September 18, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been 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 responses that we consider to be significant deficiencies. See 2020-1 and 2020-2.

Compliance and Other Matters

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

The Town of Old Fort, North Carolina's Response to Findings

The Town of Old Fort, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Old Fort, North Carolina'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.

Lowsmith Church & Co., L.L.P.

Morganton, North Carolina
September 18, 2020

TOWN OF OLD FORT, NORTH CAROLINA

**Schedule of Findings and Responses
For the Year Ended June 30, 2020**

1. Financial Statement Findings:

Significant Deficiencies:

Finding: 2020-1:

Condition: Lowdermilk Church & Co., L.L.P. (the independent auditors) prepared the draft financial statements for the Town. As with most smaller organizations, this becomes necessary due to the cost benefit of either out-sourcing or hiring personnel with the expertise to prepare financial statements in conformity with generally accepted accounting principles.

Effect: The financial statements may not be prepared in accordance with generally accepted accounting principles (GAAP).

Response: Management concurs with the finding. Management will exercise due care in reviewing the financial statements drafted by the external auditor, as the Town is responsible for the accuracy of the audited financial statements.

Finding: 2020-2:

Condition: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The Mayor and the Board of Aldermen should be engaged in the ongoing review of the financial affairs of the Town to provide oversight.

Effect: Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.

Response: Duties will be segregated as much as possible.