

**Town of Ossipee
Ossipee, North Carolina
For the year ended
June 30, 2020**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Markus A. Whitman, Mayor

Ernest L. Bare, III, Mayor Pro-Tem

Town Council

Paul G. Farris

Billy R. Carter

Administrative Staff

Richard A. Overman, Finance Director

Tabitha S. Langley, Town Clerk

Town of Ossipee

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June 30, 2020

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EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and Town Council
Town of Ossipee
Elon, North Carolina

I 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 Ossipee, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, based on my 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 Ossipee, 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 of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ossipee, North Carolina's basic financial statements. The individual fund 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 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 my opinion, based on my audit, and the procedures performed as describe above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note IV to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC



Lexington, North Carolina
January 14, 2021



TOWN of OSSIEPEE

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Management's Discussion and Analysis

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

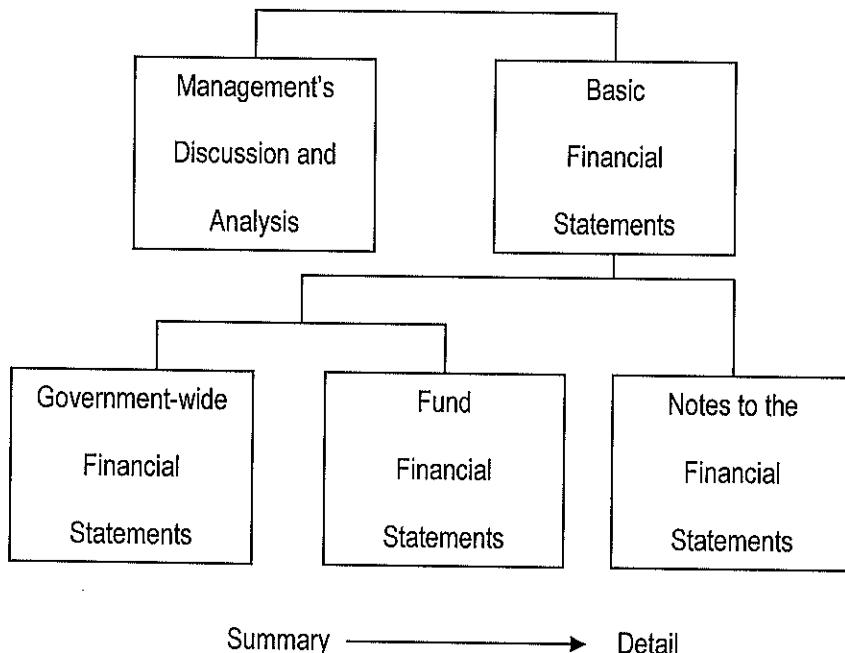
- The assets of the Town of Ossipee exceeded its liabilities and deferred inflow of resources at the close of the fiscal year by \$1,415,198 (*net position*).
- The Town's total net position increased by \$36,343 primarily due to increases in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Ossipee's governmental funds reported combined ending fund balance of \$745,735 with a net increase of \$62,968 in fund balance. Approximately 59 percent of this total amount, or \$443,039, is non-spendable, restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$302,693, or 153 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Ossipee'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 Ossipee.

Management Discussion and Analysis
Town of Ossipee

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 (Exhibit 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 fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Management Discussion and Analysis
Town of Ossipee

Government-Wide Financial Statements

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

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

The government-wide statements are divided into 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 and general administration. Property taxes finance most of these activities. The business-type activities are those that municipalities generally charge fees for.

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 group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ossipee, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Ossipee are reported under governmental funds. All of the funds of the Town of Ossipee 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Ossipee adopts an annual budget for the 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 the current period activities.

Management Discussion and Analysis
Town of Ossipee

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 in 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 differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reporting activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 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.

Management Discussion and Analysis
Town of Ossipee

Town of Ossipee's Net Position (Figure 2)

June 30, 2020 and June 30, 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 765,904	\$ 695,530	\$ 6,320	\$ (9,056)	\$ 772,225	\$ 686,474
Capital assets	50,997	52,675	639,352	666,584	690,349	719,259
Total assets	816,901	748,205	645,672	657,528	1,462,573	1,405,733
Long-term Liabilities	-	-	-	-	-	-
Other Liabilities	19,444	11,877	27,933	15,004	47,377	26,881
Total liabilities	19,444	11,877	27,933	15,004	47,377	26,881
Net position:						
Net investment in capital assets	50,997	52,675	639,352	666,584	690,349	719,259
Restricted for:						
Stabilization by State Statute	231,660	209,872	-	-	231,660	209,872
Unrestricted	514,800	473,781	(21,613)	(24,060)	493,188	449,721
Total net position	\$ 797,459	\$ 736,328	\$ 617,739	\$ 642,524	\$ 1,415,198	\$ 1,378,852

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Ossipee exceeded liabilities and deferred inflows by \$1,415,198 as of June 30, 2020. The Town's net position increased by \$36,343 for the fiscal year ended June 30, 2020. However, the largest portion (49%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Ossipee uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ossipee'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 Ossipee's net position, \$231,660, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$493,188 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.17%.
- Increase in local option sales tax collections

Management Discussion and Analysis
Town of Ossipee

Town of Ossipee's Changes in Net Position (Figure 3)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 22,762	\$ 21,154	\$ 105,917	\$ 109,553	\$ 128,679	\$ 130,707
Operating grants and revenues	-	-	-	-	-	-
Capital grants and revenues	-	-	-	-	-	-
General revenues:						
Property taxes	55,549	51,976	-	-	55,549	51,976
Sales and other taxes	155,503	150,871	-	-	155,503	150,871
Unrestricted intergovernmental revenues	22,151	22,969	-	-	22,151	22,969
Investment earnings	4,381	1,315	856	231	5,237	1,546
Miscellaneous income	542	678	-	382	542	1,060
Total revenues	260,888	248,963	106,773	110,166	367,661	359,129
Expenses:						
General government	113,167	96,504	-	-	113,167	96,504
Public safety	39,686	37,819	-	-	39,686	37,819
Environmental protection	46,905	43,819	-	-	46,905	43,819
Water	-	-	131,559	125,951	131,559	125,951
Total expenses	199,759	178,142	131,559	125,951	331,318	304,093
Increase (decrease)	61,129	70,821	(24,786)	(15,785)	36,343	55,036
Other sources (uses)						
Net position July 1	736,328	665,507	642,524	658,309	1,378,852	1,323,816
Net position June 30	\$ 797,459	\$ 736,328	\$ 617,739	\$ 642,524	\$ 1,415,198	\$ 1,378,852

Governmental activities – Governmental activities increased the Town's net position by \$61,129, thereby accounting for 100% of the total increase in the net position of the Town of Ossipee. Town management has taken a conservative approach to spending. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Management Discussion and Analysis
Town of Ossipee

Governmental activities (*continued*)

Key elements of this increase are as follows:

- During the current fiscal year, the Town's revenues and expenses remained stable

Business-type activities – Business-type activities decreased the Town's net position by \$24,786, accounting for 100% of the total decrease in the Town's net position. Key elements of this decrease are as follows:

- The Town did not receive any water tap fees for the year
- Increased expenses in all departments

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Ossipee's fund balance available in the General Fund was \$302,693, while total fund balance reached \$537,283. The Town currently has an available fund balance of 153% of general fund expenditures, while total fund balance represents 272% of the same amount.

At June 30, 2020, the governmental funds of the Town of Ossipee reported a combined fund balance of \$745,735 with a net increase in fund balance of \$62,968. Included in this change in fund balance is an increase in fund balance in the General Fund and Building & Recreation Capital Project Fund.

General Fund Budgetary Highlights: 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.

No budget adjustments were required during the current year.

Proprietary Funds. The Town of Ossipee's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to (\$21,613). Total net position decreased \$24,786, primarily due to a decrease in revenue and increases in expenses.

Management Discussion and Analysis
Town of Ossipee

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities and business-type activities as of June 30, 2020, totals \$690,349 (net of accumulated depreciation). These assets include buildings, land, and furniture and equipment.

The Town did not add any capital assets for the year.

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

	Governmental		Business-type		Total	
	Activities		Activities		Activities	
	2020	2019	2020	2019	2020	2019
Land	\$ 46,564	\$ 46,564	\$ -	\$ -	\$ 46,564	\$ 46,564
Construction in process (water project)	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Furniture, fixtures and equipment	4,433	6,111	-	-	4,433	6,111
Water system	-	-	639,352	666,584	639,352	666,584
	\$ 50,997	\$ 52,675	\$ 639,352	\$ 666,584	\$ 690,349	\$ 719,259

Additional information regarding the Town of Ossipee's capital assets can be found in Note III.A.4 of this report.

Long-term Debt

The Town has no outstanding debt at June 30, 2020.

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 Ossipee is \$2,035,652.

Management Discussion and Analysis
Town of Ossipee

Economic Factors and Next Year's Budgets and Rates

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

- The increase in net position of the General Fund is expected to continue to grow as a result of budgetary constraints which will allow the Town to provide additional services to its residents.
- The connection of the Town's water system to the City of Burlington water system will continue to allow the Town to service additional customers. Two schools have in recent years been added to the system.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Revenues are expected to be consistent with prior years.

Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$2,498 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: The Town's water supply has connected to the City of Burlington's system. Although water costs are anticipated to rise, other costs are expected to decrease.

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 Director of Finance, Town of Ossipee, Post Office Box 336, Elon, NC 27244.

Town of Ossipee, North Carolina
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash & cash equivalents - unrestricted	\$ 319,362	\$ 184,704	\$ 504,066
Receivables (net):			
Taxes	728	-	728
Accounts	2,070	11,795	13,866
Due from other governments	29,709	-	29,709
Internal balances	199,882	(199,882)	-
Prepaid expenditures	2,927	568	3,495
Accrued investment income	-	-	-
Restricted cash & cash equivalents	211,227	9,135	220,362
	<u>765,904</u>	<u>6,320</u>	<u>772,225</u>
Capital assets:			
Land, improvements and construction in progress	46,564	-	46,564
Capital assets, net of depreciation	4,433	639,352	643,785
	<u>50,997</u>	<u>639,352</u>	<u>690,349</u>
Total assets	<u>816,901</u>	<u>645,672</u>	<u>1,462,573</u>
LIABILITIES			
Current liabilities:			
Accounts payable	16,280	18,699	34,978
Accrued expenses	389	99	489
Current portion of long-term liabilities	-	-	-
Payable from restricted assets	2,775	9,135	11,910
	<u>19,444</u>	<u>27,933</u>	<u>47,377</u>
Long-term liabilities:			
Due in more than one year	-	-	-
Total liabilities	<u>19,444</u>	<u>27,933</u>	<u>47,377</u>
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	50,997	639,352	690,349
Restricted for:			
Stabilization by State Statute	231,660	-	231,660
Unrestricted net position	514,800	(21,613)	493,188
Total net position	<u>\$ 797,459</u>	<u>\$ 617,739</u>	<u>\$ 1,415,198</u>

The accompanying notes are an integral part of the financial statements

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

Programs Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 113,167	\$ -	\$ -	\$ -	\$ (113,167)	\$ -	\$ (113,167)
Public safety	39,686	-	-	-	(39,686)	-	(39,686)
Environmental protection	46,905	22,762	-	-	(24,143)	-	(24,143)
Cultural and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total governmental activities	199,759	22,762	-	-	(176,997)	-	(176,997)
Business-type activities:							
Water	131,559	105,917	-	-	-	(25,642)	(25,642)
Total business-type activities	131,559	105,917	-	-	-	(25,642)	(25,642)
Total Government	\$ 331,318	\$ 128,679	\$ -	\$ -	(176,997)	(25,642)	(202,639)
General revenues:							
Taxes:							
Ad valorem					55,549	-	55,549
Sales and other taxes					155,503	-	155,503
Unreserved intergovernmental revenues					22,151	-	22,151
Investment earnings					4,381	856	5,237
Miscellaneous					542	-	542
Total general revenues and transfers					238,126	856	238,982
Change in net position							
Net position beginning					61,129	(24,786)	36,343
Net position ending					\$ 797,459	\$ 617,739	\$ 1,415,198

The accompanying notes are an integral part of the financial statements

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

	Major Fund General	Non-Major Building Fund	Total Governmental Funds
Assets			
Cash & cash equivalents - unrestricted	\$ 319,362	\$ -	\$ 319,362
Restricted cash	2,775	208,452	211,227
Receivables (net):			
Taxes	728	-	728
Accounts	2,070	-	2,070
Due from other governments	29,709	-	29,709
Internal balances	199,882	-	199,882
Accrued investment income	-	-	-
Prepaid expenses	2,927	-	2,927
Total assets	<u>\$ 557,452</u>	<u>\$ 208,452</u>	<u>\$ 765,904</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	\$ 16,669	\$ -	\$ 16,669
Customer deposits	2,775	-	2,775
Total liabilities	<u>19,444</u>	<u>-</u>	<u>19,444</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	728	-	728
Total deferred inflows of resources	<u>728</u>	<u>-</u>	<u>728</u>
Fund balance:			
Non Spendable:			
Prepaid expenses	2,927	-	2,927
Restricted:			
Stabilization by State Statute	231,660	-	231,660
Assigned:			
Town Hall & Recreation	-	208,452	208,452
Unassigned	302,693	-	302,693
Total fund balance	<u>537,283</u>	<u>208,452</u>	<u>745,735</u>
Total liabilities and fund balance	<u>\$ 557,452</u>	<u>\$ 208,452</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Governmental capital assets	\$ 70,582		
Less accumulated depreciation	<u>(19,585)</u>		50,997
Liabilities for earned revenues considered deferred inflows of resources in fund statements			728
Net position of governmental activities			<u>\$ 797,459</u>

The accompanying notes are an integral part of the financial statements

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

	Major Fund General	Non-Major Building Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 55,709	\$ -	\$ 55,709
Other taxes and licenses	155,503	-	155,503
Unrestricted intergovernmental revenues	22,151	-	22,151
Restricted intergovernmental revenues	-	-	-
Charges for services	22,762	-	22,762
Investment earnings	3,944	436	4,381
Other revenues	542	-	542
Total revenues	<u>260,611</u>	<u>436</u>	<u>261,048</u>
Expenditures:			
General government	111,488	-	111,488
Public safety	39,686	-	39,686
Environmental protection	46,905	-	46,905
Cultural and recreation	-	-	-
Contingency reserve	-	-	-
Total expenditures	<u>198,080</u>	<u>-</u>	<u>198,080</u>
Excess of revenues over (under) expenditures	62,532	436	62,968
Other financing sources (uses):			
Transfers to Building & Recreation Fund	(20,000)	20,000	-
Net change in fund balance	42,532	20,436	62,968
Fund balance - beginning of year	<u>494,751</u>	<u>188,015</u>	<u>682,765</u>
Fund balance - end of year	<u>\$ 537,283</u>	<u>\$ 208,452</u>	<u>\$ 745,735</u>

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

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

Net changes in fund balances - total governmental funds	\$	62,968
---	----	--------

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these 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	\$	-
Depreciation	<u>(1,679)</u>	(1,679)

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

Change in unavailable revenue for tax revenues	<u>(160)</u>
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Total changes in net position of governmental activities	\$	<u>61,129</u>
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EXHIBIT 5

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

	Original	Final	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 54,660	\$ 54,660	\$ 55,709	\$ 1,049
Other taxes and licenses	140,400	140,400	155,503	15,103
Unrestricted intergovernmental revenues	23,160	23,160	22,151	(1,009)
Restricted intergovernmental revenues	-	-	-	-
Sanitation fees	21,000	21,000	22,762	1,762
Investment earnings	600	600	3,944	3,344
Miscellaneous	360	360	542	182
Total revenues	<u>240,180</u>	<u>240,180</u>	<u>260,611</u>	<u>20,431</u>
Expenditures:				
General government	116,910	116,910	111,488	5,422
Public safety	40,200	40,200	39,686	514
Environmental protection	52,860	52,860	46,905	5,955
Contingency reserve	13,510	13,510	-	13,510
Total expenditures	<u>223,480</u>	<u>223,480</u>	<u>198,080</u>	<u>25,400</u>
Revenues over (under) expenditures	<u>16,700</u>	<u>16,700</u>	<u>62,532</u>	<u>45,832</u>
Other sources (uses):				
Transfers from Water Sewer Fund	7,300	7,300	-	(7,300)
Transfers to Building & Recreation Fund	<u>(24,000)</u>	<u>(24,000)</u>	<u>(20,000)</u>	<u>4,000</u>
Revenues and other financing sources over (under) expenditures	-	-	42,532	<u>\$ 42,532</u>
Fund balance appropriated	<u>\$ -</u>	<u>\$ -</u>		
Fund balance, beginning of year			494,751	
Fund balance, end of year			<u>\$ 537,283</u>	

The accompanying notes are an integral part of the financial statements

Town of Ossipee, North Carolina
Statement of Fund Net Position
Proprietary Fund - Water Fund
June 30, 2020

	Water Fund
ASSETS	
Current assets:	
Cash & cash equivalents - unrestricted	\$ 184,704
Restricted cash & cash equivalents	9,135
Accounts receivable (net)	11,795
Prepaid insurance	568
	<hr/>
	206,202
Capital assets:	
Land, improvements, & construction in progress	-
Other capital assets, net of accumulated depreciation	639,352
Net capital assets	<hr/> 639,352
	<hr/>
Total assets	845,554
LIABILITIES	
Current liabilities:	
Accounts payable & accrued expenses	18,798
Due to other funds	199,882
Liabilities payable from restricted assets:	
Customer deposits	9,135
	<hr/> 227,815
Long-term liabilities:	
Long-term debt - NCDEQ	-
Due in more than one year	-
Total long-term liabilities	<hr/> -
	<hr/>
Total liabilities	227,815
NET POSITION	
Net investment in capital assets	639,352
Unrestricted net position	<hr/> (21,613)
Total net position	<hr/> \$ 617,739

Exhibit 7

Town of Ossipee, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund - Water Fund
For the Year Ended June 30, 2020

	Sewer Fund
Operating revenues:	
Charges for services	\$ 99,743
Water taps	3,000
Other operating charges	3,174
Total operating revenue	<u>105,917</u>
Operating expenses:	
Administration	2,582
Finance	28,961
Waste treatment and distribution	72,783
Depreciation	27,233
Total operating expenses	<u>131,559</u>
Operating income (loss)	<u>(25,642)</u>
Nonoperating revenues(expenses):	
Investment earnings	856
Other nonoperating revenues	-
Total nonoperating revenues (expenses)	<u>856</u>
Income (loss) before other sources (uses)	<u>(24,786)</u>
Other sources (uses):	
Transfer to General Fund	-
Change in net position	<u>(24,786)</u>
Net position beginning of year	<u>642,524</u>
Net position end of year	<u>\$ 617,739</u>

The accompanying notes are an integral part of the financial statements

Exhibit 8

Town of Ossipee, North Carolina
Statement of Cash Flows
Proprietary Fund - Water Fund
For the Year Ended June 30, 2020

	Water Fund
Cash flows from operating activities:	
Cash received from customers	\$ 107,948
Cash paid for goods and services	(92,575)
Customer deposits received	2,985
Customer deposits refunded	<u>(1,935)</u>
Net Cash Used By Operating Activities	<u>16,423</u>
Cash flows from non-capital financing activities:	
Other revenues received	-
Net Cash Provided By Capital and Related Financing Activities	<u>-</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Interfund transfers and advances	<u>23,437</u>
Net Cash Used By Capital and Related Financing Activities	<u>23,437</u>
Cash flows from investing activities:	
Interest earnings	<u>856</u>
Net Cash Provided by Investing Activities	<u>856</u>
Net Increase (Decrease) In Cash	40,716
Cash - Beginning of Year, July 1	<u>153,123</u>
Cash - End of Year, June 30	<u>\$ 193,839</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	<u>\$ (25,642)</u>
Adjustments to reconcile net operating income to net cash used by operating activities:	
Depreciation	27,232
Increase in provision for uncollectible accounts	-
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	2,031
(Increase) decrease in prepaid expenses	(128)
Increase (Decrease) in accounts payable	11,879
Increase (Decrease) in customer deposits	1,050
Total adjustments	<u>42,064</u>
Net Cash Used By Operating Activities	<u>\$ 16,423</u>
Interest paid	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

Town of Ossipee, North Carolina

NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Ossipee 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 Ossipee was incorporated on December 9, 2002. It is located in the northwestern part of Alamance County, North Carolina. It encompasses most of the area formerly known as the Ossipee Sanitary District.

The governing body of the Town is the Town Council which has five (5) members. The Town Council is elected on a nonpartisan basis with results determined on a plurality basis. The Mayor is chosen by the Town Council.

Generally accepted accounting principles require that these financial statements present the primary government (i.e. the Town) and any component units. Component units are defined as legally separate organizations for which the elected officials of the Town are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town of Ossipee has no component units as defined above.

B. Basis of presentation

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

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

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

Notes to the Financial Statements (continued)

B. Basis of presentation (continued)

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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes and various other taxes. The primary expenditures are for general government services and sanitation services.

The Town reports the following non-major governmental fund:

Capital Project Fund - Building & Recreation Fund – This fund is used to account for the resources being accumulated to fund the construction or purchase of a facility to be used as Town Hall replacing the mobile home currently being used and for the construction of recreation facilities.

The Town reports the following major enterprise funds:

Water Fund - This fund is used to account for the Town's water 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 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 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, including 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

Notes to the Financial Statements (continued)

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances, if applicable, are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Funds. These appropriations continue until the project is completed. 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. All amendments must be approved by the Town Council. During the year, no amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Town pools some of its money to facilitate disbursement and investment and to maximize investment income. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Notes to the Financial Statements (continued)

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Additionally, the monies being held in the Building & Recreation Fund for the acquisition of a new Town Hall and development of recreation facilities are maintained in certificates of deposit and savings accounts, and are restricted as to use by the directive of the Town Council.

Town of Ossipee's Restricted Cash

Governmental Activities

General Fund	Customer Deposits	\$ 2,775
	Town Hall reserve fund	109,322
	Recreation reserve fund	<u>99,130</u>
Total governmental activities		<u>211,227</u>

Business-type Activities

Water Fund	Customer deposits	<u>9,135</u>
Total Business-type Activities		<u>9,135</u>
Total Restricted Cash		<u>\$220,362</u>

4. Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The levy is based on the assessed valuation of property located in the Town as of January 1, 2019. As allowed by state law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts. The Town has an arrangement with Alamance County for the billing and collecting of the Town's property taxes.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town's General Fund inventory consists of an immaterial amount of expendable supplies that are recorded as expenditures as purchased rather than when used.

The inventories of the Town's enterprise fund consist of an immaterial amount of materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased.

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

Notes to the Financial Statements (continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is currently \$200 for all types of assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life - Years</u>
Buildings	10-15
Furniture and Equipment	5-15
Water System	25-40

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 only one item that meet the criterion for this category –property taxes receivable.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line discounts, as well as issuance costs, 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 premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related 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 ported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

Notes to the Financial Statements (continued)

10. Net Position/ Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid Expenses – portion of fund balance that represents resources that are not in spendable form.

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.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Ossipee'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.

Notes to the Financial Statements (continued)

10. Net Position/ Fund Balances (continued)

Assigned fund balance – portion of fund balance that Town of Ossipee intends to use for specific purposes.

Assigned for new town hall & recreation facilities – portion of fund balance that has been budgeted by the Town Council for the purpose of acquiring a new town hall and recreation facilities.

Assigned for Subsequent Year's Expenditures - portion of fund balance that is assigned for subsequent 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 Ossipee has not adopted a minimum fund balance policy for the general fund.

II. Stewardship, Compliance, and Accountability:

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

1. Noncompliance with North Carolina General Statutes: None
2. Contractual Violations: None

III. Detail Notes on All Funds:

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approval 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 to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with provisions of GS 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 \$724,228 and a bank balance of \$731,051. Of the bank balance, \$231,051 was covered by collateral held under the Pooling Method and \$500,000 was covered by federal depository insurance. At June 30, 2020, the Town's petty cash totaled \$200.

Notes to the Financial Statements (continued)

2. Investments

At June 30, 2020, the Town held no investments. The Town has no policy regarding credit risk.

3. Receivable - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 261
Enterprise Fund	<u>2,262</u>
Total	\$ 2,523

4. Capital assets

Primary Government

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

	Beginning Balances			Ending Balances
	Increases	Decreases		
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 46,564	\$ -	\$ -	\$ 46,564
Total capital assets not being depreciated:	46,564	-	-	46,564
Capital assets being depreciated:				
Furniture, fixtures, and equipment	24,018	-	-	24,018
Total capital assets being depreciated:	24,018	-	-	24,018
Less, accumulated depreciation for:				
Furniture, fixtures, and equipment	17,907	1,679	-	19,586
Total accumulated depreciation	17,907	1,679	-	19,586
Total capital assets being depreciated, net	6,111			4,432
Governmental activity capital assets, net	\$ 52,675			\$ 50,997

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

General government \$ 1,697

Notes to the Financial Statements (continued)

4. Capital assets (continued)

Capital assets activity for the Business-type Activities for the year ending June 30, 2020:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in process	-	-	-	-
Capital assets being depreciated:				
Buildings	22,408	-	-	22,408
Water system	1,121,052	-	-	1,121,052
Total capital assets being depreciated:	1,143,460	-	-	1,143,460
Less, accumulated depreciation for:				
Buildings	22,408	-	-	22,408
Water system	454,468	27,233	-	481,701
Total accumulated depreciation	476,876	27,233	-	504,109
Total capital assets being depreciated, net	666,584			639,351
Business-type activity capital assets, net	\$ 666,584			\$ 639,352

The fixed assets acquired from the Ossipee Sanitary District, the predecessor to the Town of Ossipee's Water Fund, are recorded at the District's original cost. Accumulated depreciation, through the date of transfer, has also been carried forward from the District.

B. Liabilities:

1. Pension Plan Obligations:

The Town of Ossipee has no pension plan and therefore has no pension plan obligation.

2. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenues	Unearned Revenues
Taxes Receivable, net	\$ 728	\$ -
	\$ 728	\$ -

Notes to the Financial Statements (continued)

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 two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

The Town has determined that flood insurance coverage is not needed at the present time.

In accordance with G.S. 159-20, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000.

4. Claims and Judgments

At June 30, 2020, the Town was unaware of any pending or threatened litigation, claims or assessments which could have a material adverse effect on the Town's financial position.

5. Contracted Services – Fire Protection

In July 1989, the Ossipee Sanitary District entered into an agreement with the Altamahaw-Ossipee Fire Department, Inc. whereby the Fire Department furnishes fire protection and EMS first responder services to all property lying within the District's boundaries. The Town of Ossipee, as the successor entity to the Ossipee Sanitary District, has continued to honor the provisions of the agreement.

The contract renews, or can be cancelled, annually on June 30. Payments are to be based upon the estimated revenue that would be generated by the same rate of ad valorem tax within the Town, as it is set by the Alamance Board of Commissioners for the Altamahaw-Ossipee Fire Protection Service District.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 50,997	\$ 639,352
less: long-term debt	-	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 50,997</u>	<u>\$ 639,352</u>

Notes to the Financial Statements (continued)

D. Interfund Receivables and Payables/ Transfers

The composition of interfund balances as of June 30, 2020 is as follows:

Due to/from other funds:

To	General Fund	\$199,882
From	Water and Sewer Fund	\$199,882

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. It is anticipated that the loans and advances will be repaid.

The following transfers were made during the year ending 6/30/2020:

Transfer from	General Fund	\$20,000
Transfer to	Capital Project Fund – Building and Recreation Fund	\$20,000

Transfers are used to move unrestricted revenues to finance various capital projects that the government must account for in other funds in accordance with budgetary authorizations.

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	\$	537,283
Less:		
Prepaid expenses		2,927
Stabilization by State Statute		231,660
Working Capital		-
Remaining Fund Balance	\$	302,693

The Town of Ossipee has not adopted a minimum fund balance policy for the general fund.

There are no outstanding encumbrances at year-end.

Encumbrances	General Fund	Non-Major Funds
	\$0	

Notes to the Financial Statements (continued)

IV. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through January 14, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern”, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

Town of Ossipee, North Carolina

General Fund

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
REVENUES:				
Ad valorem taxes				
Current year	\$ 53,083			\$ 50,047
Prior year	2,214			1,335
Penalties and interest, net	413			196
	<u>\$ 54,660</u>	<u>55,709</u>	<u>\$ 1,049</u>	<u>51,578</u>
Other taxes & licenses				
Local option sales tax	155,503			150,871
	<u>140,400</u>	<u>155,503</u>	<u>15,103</u>	<u>150,871</u>
Unrestricted intergovernmental				
Utility franchise tax	19,133			20,019
Beer & wine tax	2,565			2,516
Solid waste disposal tax	453			434
	<u>23,160</u>	<u>22,151</u>	<u>(1,009)</u>	<u>22,969</u>
Restricted intergovernmental				
Investment earnings	-			-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Permits and fees	-			300
	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
Sales and services				
Sanitation fees	21,000	22,762	1,762	21,154
Investment earnings	600	3,944	3,344	1,064
Miscellaneous				
Sales tax refunds	-			328
Miscellaneous	542			50
	<u>360</u>	<u>542</u>	<u>182</u>	<u>378</u>
Total revenues	<u>240,180</u>	<u>260,611</u>	<u>20,431</u>	<u>248,314</u>
EXPENDITURES:				
General Government:				
Governing body:				
Salaries and wages	12,344			12,345
Payroll taxes	944			945
Board of Elections	2,760			-
Insurance	875			875
Dues and subscriptions	100			-

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
EXPENDITURES (continued):				
General Government:				
Governing body (continued):				
Miscellaneous	\$	142		\$ 64
Compensation and fees		-		10
Capital outlay		-		-
	<u>\$ 17,340</u>	<u>17,166</u>	<u>\$ 174</u>	<u>14,239</u>
Administration:				
Professional Services:				
Legal		-		338
Accounting		1,333		-
Salaries and wages-Town Clerk		51,236		45,234
Payroll taxes		4,038		3,461
Group insurance		6,944		-
Office supplies		2,133		1,295
Travel and training		3,137		2,449
Telephone		3,770		2,393
Website design & management		120		100
Postage		105		105
Maintenance and repairs-equipment		291		107
Legal and other advertising		27		54
Surveying and mapping		-		1,000
Planning & zoning		-		290
Insurance and bonds		1,917		1,167
Dues and subscriptions		1,252		1,361
Miscellaneous		503		520
Capital outlay		-		-
	<u>79,030</u>	<u>76,807</u>	<u>2,223</u>	<u>59,874</u>
Finance:				
Professional Services:				
Audit		3,800		3,550
Other accounting services		4,460		4,884
Property tax billings/collections		998		512
Office supplies		460		947
Insurance and bonds		136		136
Bank service charges		30		-
Capital outlay		-		-
	<u>10,520</u>	<u>9,884</u>	<u>636</u>	<u>10,029</u>

Town of Ossipee, North Carolina

General Fund

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
EXPENDITURES (continued):				
Public buildings and works:				
Electricity	\$ 1,065			\$ 1,155
Fuel oil/gas	473			588
Maintenance and repairs - building	5,867			8,208
Departmental supplies	151			366
Miscellaneous	75			69
Capital outlay	-			-
	<u>\$ 10,020</u>	<u>7,632</u>	<u>\$ 2,388</u>	<u>10,386</u>
Total General Government	<u>116,910</u>	<u>111,488</u>	<u>5,422</u>	<u>94,528</u>
Public Safety:				
Contracted services:				
Animal control	3,981			4,013
Fire protection	35,705			33,806
	<u>40,200</u>	<u>39,686</u>	<u>514</u>	<u>37,819</u>
Environmental protection:				
Garbage/trash service	46,578			43,457
Stormwater management	328			362
	<u>52,860</u>	<u>46,905</u>	<u>5,955</u>	<u>43,819</u>
Contingency reserve	<u>13,510</u>	<u>-</u>	<u>13,510</u>	<u>-</u>
Total expenditures	<u>223,480</u>	<u>198,080</u>	<u>25,400</u>	<u>176,166</u>
Revenues over (under) expenditures	<u>16,700</u>	<u>62,532</u>	<u>(45,832)</u>	<u>72,148</u>
Other sources (uses) of funds				
Transfers from Water Sewer Fund	7,300	-	(7,300)	-
Transfers to Recreation Fund	(12,000)	(10,000)	2,000	(10,000)
Transfers to Building Fund	(12,000)	(10,000)	2,000	(10,000)
	<u>(16,700)</u>	<u>(20,000)</u>	<u>(3,300)</u>	<u>(20,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>42,532</u>	<u>\$ 42,532</u>	<u>52,148</u>
Fund balances - beginning of year		<u>494,751</u>		<u>442,603</u>
Fund balances - end of year		<u>\$ 537,283</u>		<u>\$ 494,751</u>

Town of Ossipee North Carolina
Balance Sheet - Capital Project Fund - Building & Recreation Fund
Non-Major Governmental Funds
June 30, 2020

ASSETS

Cash & cash equivalents - unrestricted	\$ 208,452
Receivable from General Fund	-
Total assets	<u><u>\$ 208,452</u></u>

LIABILITIES

Accounts payable	\$ -
Total liabilities	<u><u>\$ -</u></u>

Fund balance:

Assigned:	
Town Hall & Recreation	\$ 208,452
Unassigned	-
Total fund balance	<u><u>208,452</u></u>
Total liabilities and fund balance	<u><u>\$ 208,452</u></u>

Town of Ossipee, North Carolina
Capital Project - Building & Recreation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
REVENUES:					
Investment earnings	\$ -	\$ 1,225	\$ 436	\$ 1,661	\$ (1,661)
Total revenues	- -	1,225	436	1,661	(1,661)
EXPENDITURES:					
Capital outlay - future Town Hall	88,040	- -	- -	- -	88,040
Capital outlay - recreation	78,730	- -	- -	- -	78,730
Total expenses	166,770	- -	- -	- -	166,770
Total revenues over expenses	(166,770)	1,225	436	1,661	(168,431)
Other sources (uses) of funds:					
Transfers from General Fund	166,770	186,790	20,000	206,790	(40,020)
Revenues and other sources over expenditures and other uses	\$ -	\$ -	20,436	\$ -	\$ -
Fund balances - beginning of year			188,015		
Fund balances - end of year			\$ 208,452		

Town of Ossipee, North Carolina
Proprietary Fund Type - Water Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
Revenues:				
Operating revenues:				
Water sales	\$ 99,743			\$ 104,994
Water taps and fees	3,000			-
Other operating revenue	3,174			4,559
	<u>\$ 118,680</u>	<u>105,917</u>	<u>\$ (12,763)</u>	<u>109,553</u>
Non-operating Revenues:				
Investment earnings	856			231
Miscellaneous income	-			382
	<u>300</u>	<u>856</u>	<u>556</u>	<u>613</u>
Total revenues	<u>118,980</u>	<u>106,773</u>	<u>(12,207)</u>	<u>110,166</u>
Expenditures:				
Administration:				
Consultant - CPA	729			-
Office supplies	442			880
Postage	110			-
Permits and licenses	870			870
Dues and subscriptions	280			515
Miscellaneous	151			62
	<u>4,660</u>	<u>2,582</u>	<u>2,078</u>	<u>2,327</u>
Finance:				
Audit	3,800			3,550
Bookkeeping and accounting	3,600			3,600
Salaries and wages	14,915			13,337
Payroll taxes	1,141			1,020
Group insurance	1,736			-
Office supplies	-			80
Postage	820			1,045
Travel and training	1,753			1,371
Software rental and maintenance	1,254			1,218
Miscellaneous	(57)			-
Contracted services - meter reading	-			154
	<u>29,170</u>	<u>28,961</u>	<u>209</u>	<u>25,375</u>

Town of Ossipee, North Carolina
Proprietary Fund Type - Water Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
Expenditures (continued):				
Water distribution and maintenance:				
Water purchased for resale	\$ 42,515			\$ 37,096
Water testing	1,900			1,945
System services	13,388			13,500
Departmental supplies	1,560			1,634
Electrical power	1,658			2,059
Repairs and maintenance	3,720			6,652
Maintenance contract - water tank	7,602			7,602
Insurance and bonds	440			421
Miscellaneous	-			-
	\$ 77,850	72,783	\$ 5,067	70,909
Other budgetary appropriations:				
Debt service:				
Principal	-			-
Interest	-			-
Reserve for contingencies	-			-
	-	-	-	-
Total expenditures	111,680	104,326	7,354	98,611
Other financing sources (uses):				
Transfer to General Fund	(7,300)	-	7,300	-
Revenues and other sources over (under) expenditures and other sources	\$ -	\$ 2,447	\$ 2,447	\$ 11,555
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses			\$ 2,447	\$ 11,555
Depreciation			(27,233)	(27,233)
(Increase) in provision for uncollectible accounts			(107)	(107)
Change in net position	\$ (24,786)		\$ (15,785)	

Town of Ossipee North Carolina
Schedule of Cash and Investment Balances
Governmental Funds
June 30, 2020

	<u>Cost Value</u>	<u>Market Value</u>
Cash:		
On hand	\$ 200	\$ 200
In demand deposits	139,695	139,695
In savings accounts	-	-
In time deposits:		
NOW, SuperNOW and money market	208,452	208,452
Certificates of deposit	<u>376,081</u>	<u>376,081</u>
Total cash and investments	<u>\$ 724,428</u>	<u>\$ 724,428</u>
Distribution by Fund:		
General Fund	\$ 322,137	
Building & Recreation Fund	208,452	
Enterprise Fund - Water Fund	<u>193,839</u>	
	<u>\$ 724,428</u>	

Town of Ossipee, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-20		\$ 54,072	\$ 53,544	\$ 528
2018-19	\$ 764	1,490	2,139	115
2017-18	123	-	48	75
2016-17	42	-	15	27
2015-16	19	-	-	19
2014-15	30	-	4	26
2013-14	61	-	2	59
2012-13	85	-	3	82
2011-12	26	-	3	23
2010-11	27	-	-	27
2009-10	42	-	34	8
	<u>\$ 1,219</u>	<u>\$ 1,490</u>	<u>\$ 55,792</u>	<u>989</u>
Less - allowance for doubtful Ad Valorem taxes receivable				261
Ad Valorem taxes receivable (net)				<u>\$ 728</u>
Reconciliation with revenues:				
Ad Valorem Tax - General Fund				\$ 55,709
Other adjustments				83
Less - Penalties & interest collected, net				-
Total Collections & Credits				<u>\$ 55,792</u>

Town of Ossipee, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2020

	Total Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Total Levy
				Registered Motor Vehicles	
Original levy:					
Property taxed at current years rate	\$ 25,445,647	0.2125	\$ 54,072	\$ 47,266	\$ 6,806
Property taxed at prior years rate	-		-	-	-
Penalties	-		-	-	-
Total	<u>25,445,647</u>		<u>54,072</u>	<u>47,266</u>	<u>6,806</u>
Discoveries:					
Current year rates	-	0.2125	-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	-	0.2125	-	-	-
Total property valuation	<u>\$ 25,445,647</u>				
Net levy			54,072	47,266	6,806
Uncollected taxes at June 30, 2020			(989)	(989)	-
Current year's taxes collected			<u>\$ 53,083</u>	<u>\$ 46,277</u>	<u>\$ 6,806</u>
Percent current year collected			<u>98.17%</u>	<u>97.91%</u>	<u>100.00%</u>