

TOWN OF RUTHERFORD COLLEGE
RUTHERFORD COLLEGE, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2020

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

TOWN OF RUTHERFORD COLLEGE
TOWN OFFICIALS
JUNE 30, 2020

MAYOR

Gary McClure

BOARD OF ALDERMEN

Wayne Annas

Kress Berry

James Huffman, Jr.

Zachary Cagle

Gerald Smith

Mark Stinson

TOWN MANAGER

Kenneth Geathers, Jr.

FINANCE OFFICER

Jessica Bargsley

Town of Rutherford College, North Carolina
Table of Contents
June 30, 2020

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditor's Report	1 - 3
	Management's Discussion and Analysis	4 - 11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
Exhibit 1	Statement of Net Position	12
Exhibit 2	Statement of Activities	13
	Fund Financial Statements:	
Exhibit 3	Balance Sheet - Governmental Fund	14
Exhibit 3-1	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	16
Exhibit 4-1	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	18
Exhibit 6	Statement of Net Position - Proprietary Fund	19
Exhibit 7	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	20
Exhibit 8	Statement of Cash Flows - Proprietary Fund	21
	Notes to the Financial Statements	22 - 38

Town of Rutherford College, North Carolina
Table of Contents
June 30, 2020

<u>Exhibit</u>		<u>Page</u>
	Required Supplemental Financial Data:	
	Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement System	39
	Schedule of Contributions - Local Government Employees' Retirement System	40
	Individual Fund Statements and Schedules:	
Exhibit A	Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Budget and Actual	41 - 43
Exhibit B	Statement of Revenues and Expenditures - Budget and Actual (Non GAAP) - Water and Sewer Fund	44 - 45
	Other Schedules:	
Exhibit C-1	Schedule of Ad Valorem Taxes Receivable	46
Exhibit C-2	Analysis of Current Tax Levy - Town Wide Levy	47
Exhibit D-1	Water and Sewer Fund's Schedule of Net Position by Function	48
Exhibit D-2	Water and Sewer Fund's Schedule of Revenues, Expenses and Changes in Fund Net Position by Function	49
Exhibit D-3	Water and Sewer Fund's Schedule of Cash Flows by Function	50 - 51

FINANCIAL SECTION

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Honorable Mayor and Board of Aldermen
Town of Rutherford College
Rutherford College, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rutherford College

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the Town of Rutherford College, 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 Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 39 and 40, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rutherford College'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 financial statements.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rutherford College

The individual funds financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, 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.



S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
July 29, 2020

TOWN OF RUTHERFORD COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rutherford College's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on 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 Rutherford College exceeded its liabilities at the close of the fiscal year by \$4 254 158 (*net position*).
- The government's total net position decreased by \$13 452 due primarily to decreases in business-type activities *net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$872 865, or 131 percent of total general fund expenditures for the fiscal year.
- Town of Rutherford College's total long term debt decreased by \$65 072 or 3 percent during the current fiscal year.
- The Town does not have a bond rating because all of the bonds are USDA debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and an optional section that presents *statements* for non-major governmental funds, if any. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's government, reporting the Town's operations in *more detail* than the government-wide statements.
 - The *government funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short* and *long term* financial information about the activities the government operates *like businesses*, such as the water and sewer operation.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section with statements that provide details about non-major governmental funds, if any, which is presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1
MAJOR FEATURES OF TOWN OF RUTHERFORD COLLEGE'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary or fiduciary, such as general government and transportation	Activities the Town operates similar to private businesses: the sewer operations
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position-the difference between the Town's assets and liabilities-is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's *net position* are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional nonfinancial factors such as changes in the Town's property tax base.

The government-wide financial statements of the Town are divided into two categories:

- *Governmental activities* - Most of the Town's basic services are included here, such as administration and transportation. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer activities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds*-not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen establishes other funds to control and manage money for particular purposes.

The Town has two kinds of funds:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the Town's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements.

Also included in this section are budgetary comparison statements for all major governmental funds.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Rutherford College's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 39 and 40 of this report.

Interdependence with Other Entities

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

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of Town of Rutherford College, assets exceeded liabilities by \$4 254 158 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET POSITION

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 1 012 009	\$ 883 400	\$ 1 070 882	\$ 1 065 140	\$ 2 082 891	\$ 1 948 540
Capital Assets	1 344 702	1 390 858	3 287 059	3 427 280	4 631 761	4 818 138
Deferred Outflows of Resources	44 336	46 660	7 824	8 234	52 160	54 894
Total Assets and Deferred Outflows of Resources	<u>2 401 047</u>	<u>2 320 918</u>	<u>4 365 765</u>	<u>4 500 654</u>	<u>6 766 812</u>	<u>6 821 572</u>
Long-Term Debt Outstanding	847 946	863 287	1 506 298	1 556 029	2 354 244	2 419 316
Other Liabilities	99 070	73 862	56 554	56 159	155 624	130 021
Deferred Inflows of Resources	<u>2 368</u>	<u>4 245</u>	<u>418</u>	<u>380</u>	<u>2 786</u>	<u>4 625</u>
Total Liabilities and Deferred Inflows of Resources	<u>949 384</u>	<u>941 394</u>	<u>1 563 270</u>	<u>1 612 568</u>	<u>2 512 654</u>	<u>2 553 962</u>
Net Position:						
Net Investment in Capital Assets	496 756	527 571	1 780 761	1 871 251	2 277 517	2 398 822
Restricted	54 271	58 300			54 271	58 300
Unrestricted	<u>900 636</u>	<u>793 653</u>	<u>1 021 734</u>	<u>1 016 835</u>	<u>1 922 370</u>	<u>1 810 488</u>
Total Net Position	<u>\$ 1 451 663</u>	<u>\$1 379 524</u>	<u>\$ 2 802 495</u>	<u>\$2 888 086</u>	<u>\$ 4 254 158</u>	<u>\$ 4 267 610</u>

The largest portion of net position (54%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Town of Rutherford College uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Rutherford College's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, the Town of Rutherford College has implemented GASB Statement 68. With this reporting, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Rutherford College management.

Change in Net Position

The Town's total revenues were \$1 495 169 at June 30, 2020 (see Table 2). Charges for services made up 48% of revenues. Property taxes and other taxes made up 11% and 25% of revenues respectively. The Town's expenses cover a range of services with 31% of those expenses being related to general government.

TABLE 2
CHANGE IN NET POSITION

	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total Primary Government</u>	
	2020	2019	2020	2019	2020	2019
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 16 065	\$ 14 124	\$ 702 138	\$ 683 760	\$ 718 203	\$ 697 884
Operating and Capital Grants	46 201	77 248			46 201	77 248
General Revenues:						
Property Taxes	162 715	119 106			162 715	119 106
Other Taxes	371 270	359 092			371 270	359 092
Other	196 653	194 592	127	3 316	196 780	197 908
Total Revenues	<u>792 904</u>	<u>764 162</u>	<u>702 265</u>	<u>687 076</u>	<u>1 495 169</u>	<u>1 451 238</u>
<u>Expenses</u>						
General Government	463 038	458 970			463 038	458 970
Environmental Protection	70 286	70 676			70 286	70 676
Economic and Physical Development	49 436	76 845			49 436	76 845
Transportation	88 539	114 909			88 539	114 909
Cultural and Recreational	11 693	10 492			11 693	10 492
Debt Service	37 773	38 416			37 773	38 416
Water and Sewer			787 856	741 305	787 856	741 305
Total Expenses	<u>720 765</u>	<u>770 308</u>	<u>787 856</u>	<u>741 305</u>	<u>1 508 621</u>	<u>1 511 613</u>
Increase (Decrease) In Net Position	72 139	(6 146)	(85 591)	(54 229)	(13 452)	(60 375)
Net Position, July 1	1 379 524	1 385 670	2 888 086	2 903 205	4 267 610	4 288 875
Restated				39 110		39 110
Net Position, June 30	<u>\$ 1 451 663</u>	<u>\$1 379 524</u>	<u>\$ 2 802 495</u>	<u>\$2 888 086</u>	<u>\$4 254 158</u>	<u>\$4 267 610</u>

Table 3 presents the cost of each of the Town's six largest programs- general government, environmental protection, economic and physical development, transportation, recreation and debt service-as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$720 thousand.
- However, the amount that our taxpayers paid for these activities through Town taxes was \$658 thousand. Some of the cost was paid by:

Those who directly benefited from the programs (16 thousand) or

Other governments and organizations that subsidized certain programs with grants and contributions (46 thousand).

- The Town paid for the \$658 thousand "public benefit" portion with \$534 thousand in taxes, and with other revenues such as interest and miscellaneous revenues.

TABLE 3
NET COST OF TOWN OF RUTHERFORD COLLEGE'S GOVERNMENTAL ACTIVITIES
(In Thousands of Dollars)

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
General Government	\$ 463	\$ 459	\$ 447	\$ 459
Environmental Protection	70	71	70	71
Economic and Physical Development	49	77	49	72
Transportation	88	115	42	59
Recreation	12	10	12	(20)
Debt Service	38	38	38	38
Total	\$ 720	\$ 770	\$ 658	\$ 679

Business-type Activities

Revenues of the Town's business-type activities totaled \$702 265 with expenses totaling \$787 856 (see Table 2). This produced a deficit of \$85 591. The deficit was caused by the Town's inability to fund depreciation expense.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of Town of Rutherford College's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing Town of Rutherford College's financing requirements. Specifically, available 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 Town of Rutherford College. At the end of the current fiscal year, available fund balance of the General Fund was \$872 865 while total fund balance was \$1 000 686. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 131 percent of total General Fund expenditures, while total fund balance represents 150 percent of that same amount.

At June 30, 2020, the governmental fund of Town of Rutherford College reported a total fund balance of \$1 000 686. Approximately 5 percent of this amount or \$54 271 is nonspendable or restricted. The net change in fund balance was \$126 614.

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 service. Total amendments increased the General Fund's budget by \$16 000.

Proprietary Funds. Town of Rutherford College'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 \$1 021 734.

Capital Asset and Debt Administration

Capital assets: Town of Rutherford College's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$ (net of accumulated depreciation). These assets include land, buildings, distribution systems and infrastructure.

Major capital asset transactions during the year include:

New Sign

Town of Rutherford College's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and Construction						
In Progress	\$ 112 941	\$ 112 861	\$ 1 699	\$ 1 699	\$ 114 640	\$ 114 560
Buildings	1 115 968	1 158 732			1 115 968	1 158 732
Distribution Systems			3 118 942	3 248 950	3 118 942	3 248 950
Equipment	55 361	56 448	166 418	176 631	221 779	233 079
Infrastructure	60 432	62 817			60 432	62 817
Total	\$ 1 344 702	\$ 1 390 858	\$ 3 287 059	\$ 3 427 280	\$ 4 631 761	\$ 4 818 138

Long-term Debt. As of June 30, 2020, Town of Rutherford College had total debt outstanding of \$2 354 244, of which General Obligation Bonds are backed by the full faith and credit of the Town.

Town of Rutherford College's Outstanding Debt
All Debt funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment Obligation	\$ 847 946	\$ 863 287			\$ 847 946	\$ 863 287
Bonds			853 500	879 000	853 500	879 000
Notes			394 875	403 053	394 875	403 053
Revolving Loans			257 923	273 976	257 923	273 976
Total	\$ 847 946	\$ 863 287	\$ 1 506 298	\$ 1 556 029	\$ 2 354 244	\$ 2 419 316

The State of North Carolina limits 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 the government's boundaries. The legal debt margin for Town of Rutherford College is \$8 587 289.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Budgeted expenditures will increase approximately \$100 000. This will include the Greenway project which will be approximately \$85 000 for the first year of a three year project.

Business-type Activities: Operating expenditures in the Enterprise Fund will increase approximately 4% due to increase in operating costs. This will be offset by a rate increase of approximately 4%.

Economic Factors and Next Year's Budgets and Rates

The Town of Rutherford College continues to experience the economic impact from manufacturing job losses and the economic impact of Covid-19 in Burke County. As a result, the Board has committed to using approximately \$75 000 of general fund balance in the coming fiscal year.

Request 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 Director of Finance, Town of Rutherford College, P. O. Box 406, Rutherford College, NC 28671.

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2020

<u>Assets</u>	<u>Total Government</u>		
	<u>Governmental</u>	<u>Business -</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 955 443	\$ 993 580	\$ 1 949 023
Receivables (Net of Allowance For Uncollectibles	<u>56 566</u>	<u>77 302</u>	<u>133 868</u>
Total Current Assets	<u>1 012 009</u>	<u>1 070 882</u>	<u>2 082 891</u>
<u>Non Current Assets:</u>			
<u>Capital Assets:</u>			
Land and Construction in Progress	112 941	1 699	114 640
Other Capital Assets, Net of Depreciation	<u>1 231 761</u>	<u>3 285 360</u>	<u>4 517 121</u>
Total Non Current Assets	<u>1 344 702</u>	<u>3 287 059</u>	<u>4 631 761</u>
Total Assets	<u>\$ 2 356 711</u>	<u>\$ 4 357 941</u>	<u>\$ 6 714 652</u>
<u>Deferred Outflows of Resources</u>	<u>44 336</u>	<u>7 824</u>	<u>52 160</u>
<u>Liabilities</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$ 9 028	\$ 38 916	\$ 47 944
Compensated Absences	6 940	2 973	9 913
Current Portion of Long Term Obligations	<u>16 012</u>	<u>51 620</u>	<u>67 632</u>
Total Current Liabilities	<u>31 980</u>	<u>93 509</u>	<u>125 489</u>
<u>Non Current Liabilities:</u>			
Non Current Portion of Long Term Obligations	831 934	1 454 678	2 286 612
Net Pension Liability	<u>83 102</u>	<u>14 665</u>	<u>97 767</u>
Total Non Current Liabilities	<u>915 036</u>	<u>1 469 343</u>	<u>2 384 379</u>
Total Liabilities	<u>947 016</u>	<u>1 562 852</u>	<u>2 509 868</u>
<u>Deferred Inflows of Resources</u>	<u>2 368</u>	<u>418</u>	<u>2 786</u>
<u>Net Position</u>			
Net Investment in Capital Assets	496 756	1 780 761	2 277 517
<u>Restricted For:</u>			
Stabilization by State Statute	54 271		54 271
Unrestricted	<u>900 636</u>	<u>1 021 734</u>	<u>1 922 370</u>
Total Net Position	<u>\$ 1 451 663</u>	<u>\$ 2 802 495</u>	<u>\$ 4 254 158</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Government		Total
					Governmental Activities	Business - Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 463 038	\$ 16 065	\$	\$	\$ (446 973)	\$	\$ (446 973)
Environmental Protection	70 286				(70 286)		(70 286)
Economic and Physical Development	49 436				(49 436)		(49 436)
Transportation	88 539		46 201		(42 338)		(42 338)
Cultural and Recreational	11 693				(11 693)		(11 693)
Debt Service	37 773				(37 773)		(37 773)
Total Governmental Activities	720 765	16 065	46 201		(658 499)		(658 499)
Business-Type Activities:							
Water and Sewer	787 856	702 138				(85 718)	(85 718)
Total Government	\$ 1 508 621	\$ 718 203	\$ 46 201	\$	(658 499)	(85 718)	(744 217)
General Revenues:							
Taxes:							
Property Taxes					162 715		162 715
Local Option Sales Taxes					371 270		371 270
Investment Earnings					3 031	18	3 049
Miscellaneous					193 622	109	193 731
Total General Revenues					730 638	127	730 765
Changes in Net Position					72 139	(85 591)	(13 452)
Net Position - Beginning					1 379 524	2 888 086	4 267 610
Net Position - Ending					\$ 1 451 663	\$2 802 495	\$4 254 158

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

TOWN OF RUTHERFORD COLLEGE
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020

Exhibit 3

		<u>General Fund</u>
	<u>Assets</u>	
	Cash and Cash Equivalents	\$ 955 443
	Receivables, Net	54 271
<u>295</u>	Property Tax Receivable, Net	<u>2</u>
	 Total Assets	 <u>\$1 012 009</u>
	<u>Liabilities:</u>	
	Accounts Payable and Accrued Liabilities	 <u>\$ 9 028</u>
	 <u>Deferred Inflows of Resources:</u>	
	Unavailable Property Taxes	 <u>2 295</u>
	<u>Fund Balance:</u>	
	Restricted For:	
	Stabilization by State Statute	54 271
	Assigned To:	
	Appropriated for Subsequent Year's Expenditures	 73 550
	Unassigned	<u>872 865</u>
<u>686</u>	 Total Fund Balance	 <u>1 000</u>
	 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$1 012</u>
	<u>009</u>	

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

TOWN OF RUTHERFORD COLLEGE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

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	\$ 1 344 702
Deferred outflows of resources related to pensions are not reported in the funds	44 336
Liabilities for earned revenues considered deferred inflows of resources in fund statements	2 295
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(847 946)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net Pension Liability	(83 102)
Compensated Absences	(6 940)
Deferred inflows of resources related to pensions are not reported in the funds	(2 368)
Fund Balance - Governmental Funds (Exhibit 3)	<u>1 000 686</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 1 451 663</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

		<u>General Fund</u>
<u>Revenue</u>		
Taxes:		
Property	\$	163 129
Local Option Sales		371 270
Intergovernmental		235 067
Charges for Services		16 065
Investment Earnings		3 031
Miscellaneous		<u>4 756</u>
Total Revenues		<u>793</u>
 <u>Expenditures</u>		
Current:		
General Government		405 813
Environmental Protection		63 179
Economic and Physical Development		49 436
Transportation		86 154
Cultural and Recreational		9 008
Debt Service		<u>53 114</u>
Total Expenditures		<u>666 704</u>
Net Change in Fund Balances		126 614
 Fund Balances:		
Beginning of Year		<u>874 072</u>
End of Year		<u>\$ 1 000 686</u>

318

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

TOWN OF RUTHERFORD COLLEGE
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

Net change in fund balances - total Governmental Funds (Exhibit 4) \$ 126 614

Amounts reported for *Governmental Activities* in the Statement of Activities (Exhibit 2) are different because:

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 \$16 581 was less than depreciation expense of \$62 737 in the current period. (46 156)

Contributions to the Pension Plan in the current fiscal year are not included in the Statement of Activities 14 012

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-Property taxes (414)

Loan proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments were more than proceeds. 15 341

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:
Compensated absences (1 200)
Pension Expense (36 058)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 72
139

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

TOWN OF RUTHERFORD COLLEGE
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variances With Final Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 139 500	\$ 139 500	\$ 163 129	\$ 23 629
Local Option Sales Tax	350 000	350 000	371 270	21 270
Unrestricted Intergovernmental	117 000	117 000	139 303	22 303
Restricted Intergovernmental	98 300	99 300	95 764	(3 536)
Sales and Services	17 700	16 700	16 065	(635)
Investment Earnings			3 031	3 031
Miscellaneous	3 000	3 000	4 756	1 756
Total Revenues	725 500	725 500	793 318	67 818
Expenditures:				
Current:				
General Government	478 900	498 900	405 813	93 087
Environmental Protection	69 000	64 000	63 179	821
Economic and Physical Development	109 500	109 500	49 436	60 064
Transportation	122 000	122 000	86 154	35 846
Cultural and Recreational	36 700	37 700	9 008	28 692
Debt Service	53 200	53 200	53 114	86
Total Expenditures	869 300	885 300	666 704	218 596
Revenues Over (Under) Expenditures	(143 800)	(159 800)	126 614	286 414
Other Financing Sources (Uses):				
Appropriated Fund Balance	143 800	159 800		(159 800)
Net Change in Fund Balance	\$	\$	\$ 126 614	\$ 126 614
Fund Balance:				
Beginning of Year, July 1			874 072	
End of Year, June 30			\$ 1 000 686	

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF NET POSITION-PROPRIETARY FUND
JUNE 30, 2020

	<u>Enterprise Fund</u> <u>Water and Sewer</u> June 30, 2020
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 993 580
Accounts Receivable-Net	<u>77 302</u>
Total Current Assets	<u>1 070 882</u>
<u>Noncurrent Assets:</u>	
Fixed Assets - Net	<u>3 287 059</u>
Total Assets	<u>\$4 357 941</u>
<u>Deferred Outflows of Resources:</u>	
Pension Deferrals	<u>7 824</u>
<u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts Payable and Accrued Liabilities	\$ 38 916
Accrued Compensated Absences	2 973
Bonds Payable - Current Maturities	27 000
Notes Payable-Current Maturities	<u>24 620</u>
Total Current Liabilities	<u>93 509</u>
<u>Noncurrent Liabilities</u>	
Bonds Payable	826 500
Notes Payable	628 178
Net Pension Liability	<u>14 665</u>
Total Noncurrent Liabilities	<u>1 469 343</u>
Total Liabilities	<u>1 562 852</u>
<u>Deferred Inflows of Resources:</u>	
Pension Deferrals	<u>418</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1 780 761
Unrestricted	<u>1 021 734</u>
Total Net Position	<u>\$2 802 495</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
Operating Revenues	
Charges for Services	\$ 680 338
Other Operating Revenues	<u>21 800</u>
Total Operating Revenues	<u>702 138</u>
Operating Expenses:	
Water and Sewer Operations	582 481
Depreciation	<u>140 221</u>
Total Operating Expenses	<u>722 702</u>
Operating Income (Loss)	<u>(20 564)</u>
Non-Operating Revenues (Expenses):	
Other	109
Interest Earned	18
Interest Expense on Debt	<u>(65 154)</u>
Total Nonoperating Revenues (Expenses)	<u>(65 027)</u>
Change in Net Position	(85 591)
Net Position - July 1	<u>2 888 086</u>
Net Position - June 30	<u>\$ 2 802 495</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund Water and Sewer</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 705 936
Cash Paid for Services	(477 709)
Cash Paid to Employees	<u>(103 929)</u>
Net Cash Provided (Used) by Operating Activities	<u>124 298</u>
Cash Flows From Capital and Related Financing Activities:	
Interest and Principal Paid	(114 885)
Other	<u>109</u>
Total Cash Flows From Capital and Related Financing Activities	<u>(114 776)</u>
Cash Flows for Investing Activities:	
Interest Earned	<u>18</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9 540
Cash and Cash Equivalents - Beginning of Year	<u>984 040</u>
Cash and Cash Equivalents - End of Year	<u>\$ 993 580</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (20 564)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	140 221
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	3 798
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4 011)
(Increase)Decrease in Deferred Outflows-Pensions	410
Increase (Decrease) in Deferred Inflows-Pensions	38
Increase (Decrease) in Compensated Absences	594
Increase (Decrease) in Net Pension Liability	<u>3 812</u>
Total Adjustments	<u>144 862</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 124 298</u>

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

TOWN OF RUTHERFORD COLLEGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

I. Summary of Significant Accounting Policies:

The accounting policies of Town of Rutherford College 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 Rutherford College is a municipal corporation which is Governed by an elected mayor and a six member board of alderman.

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 generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental fund:

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

The primary expenditures are for general government, street maintenance and sanitation services.

The Town reports the following major enterprise fund:

Water and Sewer Fund. The Water and Sewer Fund is 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 (expenses, including depreciation) of providing good or 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Water and Sewer Capital Projects, if any, are included in the Water and Sewer Capital Project Fund.

C. Measurement Focus, Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which 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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered as shared revenue for the Town of Rutherford College because the tax is levied by Burke County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursements 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.

D. Budgetary Data

Budget - Budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for all capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for capital project funds. During the year several board approved amendments to the original budget were necessary.

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

1. Deposits:

All deposits of the Town are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, a SEC-registered mutual fund. Investments with a maturity of more than one year are carried at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents:

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

3. Ad Valorem Taxes Receivable:

In accordance with [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due on September 1; however, interest does not accrue until the following January 6. These taxes levied are based on the assessed values as of January 1, 2019.

4. Allowances for Doubtful Accounts:

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

5. Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 000 and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Beginning July 1, 2003 general infrastructure costs are capitalized as incurred. The Town has set a threshold of \$10 000 for capitalizing infrastructure.

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	40
Buildings	40
Improvements	25
Furniture and equipment	5
Computer equipment	5
Distribution Systems	40-50

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 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 one item that met the criterion for this category - deferrals of pension expense that result from the implementation of GASB Statement 68. The funds statements also reports an additional deferred inflow-property taxes receivable.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premium and 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 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 premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. 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 services expenditures.

8. Compensated Absences

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

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

9. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position 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 Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town'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 - portion of fund balance that the Town intends to use for specific purposes.

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

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

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

11. Pensions

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 (LERS) and additions to/deductions from LERS's fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Rutherford College's employer contributions are recognized when due and the Town of Rutherford College has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

II. Detail Notes on All Funds:

A. Assets:

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

\$1 949 023 and a bank balance of \$1 952 999. The entire bank balance was covered by federal depository insurance or other sufficient collateral under the pooling method.

2. Receivables - Allowances for Doubtful Accounts - The receivables shown in the Balance Sheet and Statement of Net Position are presented net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2020</u>
General Fund - Property Taxes	\$ 4 530
General Fund - Revolving Loans	19 309
Enterprise Fund - Utilities	<u>3 000</u>
Total	<u>\$ 26 839</u>

Receivables - Net of Allowances

Accounts receivable at June 30, 2020 was as follows at the government wide level:

<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ 1 000	\$ 77 302	\$2 295	\$ 53 271	<u>\$ 133 868</u>

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 91 642	\$	\$	\$ 91 642
Construction in Progress	<u>21 219</u>	<u>80</u>	<u></u>	<u>21 299</u>
Total Capital assets not being depreciated:	<u>\$ 112 861</u>	<u>\$ 80</u>	<u>\$</u>	<u>\$ 112 941</u>
Capital assets being depreciated:				
Infrastructure	95 382			95 382
Buildings	1 708 894			1 708 894
Equipment and Vehicles	<u>238 666</u>	<u>16 501</u>	<u></u>	<u>255 167</u>
Total capital assets being depreciated	<u>2 042 942</u>	<u>16 501</u>	<u></u>	<u>2 059 443</u>
Less accumulated depreciation for:				
Infrastructure	32 565	2 385		34 950
Buildings	550 162	42 764		592 926
Equipment and Vehicles	<u>182 218</u>	<u>17 588</u>	<u></u>	<u>199 806</u>
Total accumulated depreciation	<u>764 945</u>	<u>62 737</u>	<u></u>	<u>827 682</u>
Total capital assets being depreciated, net	<u>1 277 997</u>	<u>(46 236)</u>	<u></u>	<u>1 231 761</u>
Governmental activity capital assets, net	<u>\$1 390 858</u>	<u>\$ (46 156)</u>	<u>\$</u>	<u>\$1 344 702</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 50 480
Environmental Protection	7 107
Transportation	2 385
Cultural and Recreation	2 765
Total	<u>\$ 62 737</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 1 699	\$ _____	\$ _____	\$ 1 699
Total Capital assets not being depreciated	<u>\$ 1 699</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1 699</u>
Capital assets being depreciated:				
Distribution Systems	5 586 406			5 586 406
Building	16 731			16 731
Equipment	<u>302 440</u>	<u>_____</u>	<u>_____</u>	<u>302</u>
440				
Total Capital assets being depreciated	<u>5 905 577</u>	<u>_____</u>	<u>_____</u>	<u>5 905 577</u>
Less accumulated depreciation for:				
Distribution Systems	2 337 456	130 008		2 467 464
Building	16 731			16 731
Equipment	<u>125 809</u>	<u>10 213</u>	<u>_____</u>	<u>136 022</u>
Total accumulated Depreciation	<u>2 479 996</u>	<u>140 221</u>	<u>_____</u>	<u>2 620 217</u>
Total capital assets being depreciated, net	<u>3 425 581</u>	<u>(140 221)</u>	<u>_____</u>	<u>3 285 360</u>
Total capital Assets	<u>\$3 427 280</u>	<u>\$ (140 221)</u>	<u>\$ _____</u>	<u>\$3 287 059</u>

B. Liabilities

1. Pension Plan Obligations:

a. Local Government Employee's Retirement System

Plan Description - The Town of Rutherford College is a participating employer in the statewide Local Governmental Employee's Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in

the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor' 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' Alternate Benefit for life or a return of the member's contributions.

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rutherford College 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 Rutherford College's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees, actuarially 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 Rutherford College were \$16 485 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 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.

b. 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 \$97 767 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, the Town's proportion was 0.0036%, which was a increase of 0.0005% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$42 791. 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	\$ 16 740	\$
Changes of assumptions	15 934	
Net difference between projected and actual earnings on pension plan investments	2 385	
Changes in proportion and differences between Town contributions and proportionate share of contributions	616	2 786
Town contributions subsequent to the Measurement date	16 485	
Total	<u>\$ 52 160</u>	<u>\$ 2 786</u>

\$16 485 reported as deferred outflows of resources related to Pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 16 230
2022	4 575
2023	9 222
2024	<u>2 862</u>
Total	<u>\$ 32 889</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$233 611	\$ 97 767	\$ (6 835)

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

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following at the Government Wide Level.

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 16 485
Changes in proportion and differences between employer contributions and proportionate share of contributions	616
Differences between expected and actual experience	16 740
Net difference between projected and actual investment earnings	2 385
Changes in Assumptions	<u>15 934</u>
Total	<u>\$ 52 160</u>

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

	<u>Fund Statements</u>	<u>Government Wide</u>
Taxes Receivable, less penalties (General Fund)	\$ 2 295	\$
Differences between expected and actual experience		
Changes in proportion and differences between contributions and proportionate share of contributions		<u>2 786</u>
Total	<u>\$ 2 295</u>	<u>\$ 2 786</u>

2a. Payables

Payables and accrued liabilities at June 30, 2020 were as follows at the government-wide level:

<u>Vendors</u>	<u>Other</u>	<u>Total</u>
<u>\$ 28 791</u>	<u>\$ 19 153</u>	<u>\$ 47 944</u>

3. Long-Term Obligations

a. Installment Obligations

The Town entered into a \$995 000 direct placement installment purchase to finance the purchase of an administration building in May 2008. The building is pledged as collateral for the debt. The details of the arrangement is as follows:

<u>Description</u>	<u>Cost</u>	<u>Date</u>	<u>Term</u>	<u>Rate</u>	<u>Payment Amount</u>	<u>Balance June 30, 2020</u>
General Fund: Town Hall Building- USDA	\$ 995 000	05-08-08	40 yrs	4.38%	\$53 114 Annual	\$ 847 946

b. USDA Bonded Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer systems and which are being retired by its resources are reported as long-term debt in the Enterprise Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2020 are comprised of the following issues:

Serviced by Water and Sewer Fund:

\$1 161 000 direct placement sewer bonds issued on June 1, 2002 due in annual installments, interest at 4.75 percent, balance at June 30, 2020 \$853 500.

c. USDA Notes

USDA direct placement notes were issued to finance the construction of water facilities. The debt was issued 9-14-04 with annual payments of \$27 324 at an interest rate of 4.75%, balance at June 30, 2020 \$394 875.

In the event of default on USDA debt, the Town agrees to pay to USDA, on demand, interest on any amounts due under the related agreements.

d. Drinking Water Revolving Loans

- 1) A Drinking Water Revolving Loan was issued to finance the purchase of water meters. The debt was issued 12-31-10 with annual payments of \$3,879 at zero percent interest, balance at June 30, 2020 \$38 786.
- 2) A Drinking Water Revolving Loan was issued to assist in water system improvements. The debt was issued 7-27-17 with annual principal payments of \$14,130, and an interest rate of 1.84%. The balance at June 30, 2020 was \$219 137.

The following table summarizes the annual requirement to amortize all long-term obligations.

	<u>Enterprise General Obligation Bonds</u>		<u>Enterprise USDA Notes</u>		<u>Enterprise Drinking Water Revolving Loans</u>		<u>General Installment Obligation</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	27 000	40 541	8 567	18 757	16 053	4 032	16 012	37 102	67 632	100 432
2022	28 000	39 259	8 974	18 350	16 053	3 808	16 713	36 401	69 740	97 818
2023	29 500	37 929	9 401	17 923	16 053	3 584	17 444	35 670	72 398	95 106
2024	31 000	36 527	9 847	17 477	16 053	3 360	18 207	34 907	75 107	92 271
2025	32 500	35 055	10 315	17 009	16 053	3 136	19 004	34 110	77 872	89 310
2026 - 2030	186 500	150 670	59 406	77 214	80 261	11 200	108 244	157 326	434 411	396 410
2031 - 2035	231 000	101 935	74 920	61 700	60 870	5 600	134 091	131 479	500 881	300 714
2036 - 2040	240 000	45 600	94 487	42 133	36 527	672	166 108	99 462	537 122	187 867
2041 - 2045	48 000	2 280	118 958	17 457			205 771	59 799	372 729	79 536
2046 - 2050							146 352	12 990	146 352	12 990
Total	\$ 853 500	\$ 489 796	\$ 394 875	\$ 288 020	\$ 257 923	\$ 35 392	\$ 847 946	\$ 639 246	\$ 2 354 244	\$ 1 452 454

The legal debt margin of the Town at June 30, 2020 was \$8 587 289.

4. Changes in Long-Term Liabilities:

	Balance July 1, 2019	<u>Increase</u>	<u>Decrease</u>	Balance June 30, 2020	Current Portion <u>of Balance</u>
Governmental activities:					
Direct Placement Installment Obligation	\$ 863 287	\$	\$ 15 341	\$ 847 946	\$ 16 012
Net Pension Liability (LGERS)	<u>61 503</u>	<u>21 599</u>	<u></u>	<u>83 102</u>	<u></u>
Total Governmental Activities	<u>\$ 924 790</u>	<u>\$ 21 599</u>	<u>\$ 15 341</u>	<u>\$ 931 048</u>	<u>\$ 16 012</u>
Business activities:					
Direct Placement Revolving Loans	\$ 273 976	\$	\$ 16 053	\$ 257 923	\$ 16 053
Direct Placement USDA General Obligations Bonds	879 000		25 500	853 500	27 000
Direct Placement USDA Notes	403 053		8 178	394 875	8 567
Net Pension Liability (LGERS)	<u>10 853</u>	<u>3 812</u>	<u></u>	<u>14 665</u>	<u></u>
Total Business Activities	<u>\$ 1 566 882</u>	<u>\$ 3 812</u>	<u>\$ 49 731</u>	<u>\$ 1 520 963</u>	<u>\$ 51 620</u>

5. 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	\$ 1 000 686
Less:	
Stabilization by State Statute	(54 271)
Appropriated Fund Balance in 2020-21 budget	<u>(73 550)</u>
Remaining Fund Balance	<u>\$ 872 865</u>

6. Risk Management - The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financial pools Administered by the North Carolina League of Municipalities. Through these pools, the Town has property coverage up to \$2 786 205, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of \$500 000 for property and \$300 000 up to statutory limit, for worker's compensation. The pools are insured for annual employee health claims in excess of \$150 000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance value. The Town carries commercial coverage for all other risk of loss. Claims have not exceeded coverage in any of the past three years. The Town does not carry flood insurance.

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

III. Jointly Governed Organization

Western Piedmont Council of Governments - Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The town paid fees of \$38 019 during fiscal year ended June 30, 2020.

IV. Subsequent Events:

Subsequent events have been evaluated through July 29, 2020, which is the date the financial statements were available to be issued.

V. Summary Disclosure of Significant Contingencies:

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

Town of Rutherford College, North Carolina
Town of Rutherford College'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>
Rutherford College's proportion of the net pension liability (asset) (%)	.0036%	.0031%	.0029%	.0028%	.0027%	.0020%	.0018%
Rutherford College's proportion of the net pension liability (asset) (\$)	\$ 97 767	\$ 72 356	\$ 44 762	\$ 59 850	\$ 12 028	\$ (11 854)	21 697
Rutherford College's covered-employee payroll	\$ 181 518	\$ 157 636	\$ 133 543	\$ 124 578	\$ 115 071	\$ 85 314	56 314
Rutherford College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.86%	45.90%	33.52%	48.04%	10.45%)	(13.89)%	38.53%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	97.35%

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

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

Town of Rutherford College, North Carolina
Town of Rutherford College'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 contribution	\$ 16 485	\$ 14 068	\$ 11 823	\$ 9 682	\$ 8 309	\$ 8 132	\$ 6 032
Contributions in relation to the contractually required contribution	<u>16 485</u>	<u>14 068</u>	<u>11 823</u>	<u>9 682</u>	<u>8 309</u>	<u>8 132</u>	<u>6 032</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Rutherford College's covered-employee payroll	\$ 184 186	\$ 181 518	\$ 157 636	\$ 133 543	\$ 124 578	\$ 115 021	85 314
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES-BUDGET & ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Favorable (Unfavorable)	2019 Actual
	Budget	Actual		
Revenues:				
Ad Valorem Taxes:				
Current Year	\$137 000	\$160 897	\$ 23 897	\$ 115 850
Prior Year	2 000	1 860	(140)	2 898
Penalties and Interest	500	372	(128)	726
Total	139 500	163 129	23 629	119 474
Other Taxes and Licenses:				
1/2 Cent Sales Tax	155 000	164 236	9 236	157 834
1 Cent Sales Tax	105 000	116 443	11 443	113 005
Hold Harmless	90 000	90 591	591	88 253
Total	350 000	371 270	21 270	359 092
Unrestricted Intergovernmental Revenues:				
Sales Tax Refund	6 000	4 348	(1 652)	9 410
Utilities Sales Tax	105 000	128 929	23 929	131 041
Beer and Wine Taxes	6 000	6 026	26	5 997
Total	117 000	139 303	22 303	146 448
Restricted Intergovernmental Revenues:				
Powell Bill Allocation	47 000	46 201	(799)	46 348
Solid Waste Disposal Tax	800	1 064	264	971
Solid Waste and Recycling Fees	51 500	48 499	(3 001)	41 077
Grants				30 900
Total	99 300	95 764	(3 536)	119 296
Sales and Services:				
Rentals	8 200	3 795	(4 405)	9 660
Façade Loans	8 500	12 270	3 770	4 464
Total	16 700	16 065	(635)	14 124
Investment Earnings:				
Interest Earned		3 031	3 031	236

	2020		Variance Favorable (Unfavorable)	2019 Actual
	Budget	Actual		
Revenues: (continued)				
Other General Revenues:				
Miscellaneous	\$ 3 000	\$ 4 756	\$ 1 756	\$ 5 860
Total Revenues	725 500	793 318	67 818	764 530
Expenditures:				
General Government:				
Governing Body:				
Workshops & Seminars		2 257		4 657
Travel		7 288		8 612
Total Governing Body	15 000	9 545	5 455	13 269
Administration:				
Salaries & Wages		127 173		120 737
Payroll Taxes		11 045		10 168
Group Insurance		45 469		45 755
Retirement		12 531		10 734
Travel		1 038		3 716
Professional Fees		20 951		20 221
Contracted Services		12 567		12 747
Technical Assistance		24 262		24 505
Utilities		14 538		15 719
Telephone & Postage		10 731		13 746
Maintenance & Repairs		4 071		4 516
Supplies		35 076		31 904
Advertising		1 669		1 362
Insurance & Bonds		11 161		11 660
Dues & Subscriptions		5 856		6 285
Street Lights		14 934		15 317
Miscellaneous		6 504		9 136
Total Administration	442 900	359 576	83 324	358 228
Buildings and Grounds:				
Salaries		15 000		20 000
Maintenance & Repairs		3 300		4 438
Christmas Decorations		1 891		650
Capital Outlay		16 501		2 243
Total Public Buildings	41 000	36 692	4 308	27 331
Total General Government	498 900	405 813	93 087	398 828
Environmental Protection:				
Garbage Disposal	64 000	63 179	821	63 569

	2020		Variance Favorable (Unfavorable)	2019 Actual
	Budget	Actual		
Expenditures: (Continued)				
Economic and Physical Development:				
Burke Development	\$	\$ 16 987	\$	\$ 14 445
VEDIC Appropriation		2 500		2 500
Loans to Industry		15 000		21 000
WiFi		9 949		21 400
Matching Funds				17 500
Burke Transit		5 000		
Total Economic and Physical Development	<u>109 500</u>	<u>49 436</u>	<u>60 064</u>	<u>76 845</u>
Transportation:				
Streets:				
Street Maintenance & Paving		86 154		112 524
Total Transportation	<u>122 000</u>	<u>86 154</u>	<u>35 846</u>	<u>112 524</u>
Cultural and Recreational:				
Special Appropriations:				
Rutherford College Town Day		2 627		3 314
Other		5 043		3 394
Parks		1 338		2 046
Capital Outlay				21 219
Total Cultural and Recreational	<u>37 700</u>	<u>9 008</u>	<u>28 692</u>	<u>29 973</u>
Debt Service:				
Principal Paid	15 400	15 341		14 698
Interest Paid	<u>37 800</u>	<u>37 773</u>		<u>38 416</u>
Total Debt Service	<u>53 200</u>	<u>53 114</u>	<u>86</u>	<u>53 114</u>
Total Expenditures	<u>885 300</u>	<u>666 704</u>	<u>218 596</u>	<u>734 853</u>
Revenues Over (Under) Expenditures	<u>(159 800)</u>	<u>126 614</u>	<u>286 414</u>	<u>29 677</u>
Other Financing Sources (Uses):				
Appropriated Fund Balance	<u>159 800</u>		<u>(159 800)</u>	
Total Other Financing Sources (Uses)	<u>159 800</u>		<u>(159 800)</u>	
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$</u>	<u>126 614</u>	<u>\$ 126 614</u>	<u>29 677</u>
Fund Balance Beginning of Year		<u>874 072</u>		<u>844 395</u>
Fund Balance End of Year		<u>\$1 000 686</u>		<u>\$ 874 072</u>

TOWN OF RUTHERFORD COLLEGE
ENTERPRISE FUND - WATER AND SEWER
STATEMENT OF REVENUES 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

	2020		Variance	2019
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Operating Revenues:				
Charges for Services - Water and Sewer	\$ 635 000	\$ 680 338	\$ 45 338	\$ 656 801
Other Operating Revenues -				
Tap Fees	8 000	11 359	3 359	18 376
Penalties	8 000	10 441	2 441	8 583
Total Operating Revenues	651 000	702 138	51 138	683 760
Nonoperating Revenues:				
Interest Earned on Investments		18	18	18
Other	1 000	109	(891)	3 298
Total Nonoperating Revenues	1 000	127	(873)	3 316
Budgetary Appropriations:				
Appropriated Fund Balance	71 900		(71 900)	
Total Revenues	723 900	702 265	(21 635)	687 076
Expenditures:				
Operating Expenditures:				
Administration:				
Salaries and Benefits		105 711		101 396
Professional Fees		180		2 223
Total	106 900	105 891	1 009	103 619

	2020		Variance Favorable (Unfavorable)	2019 Actual
	Budget	Actual		
Supply and Treatment:				
Water Purchases		199 807		172 100
Sewer Treatment		155 898		158 853
Maintenance		90 486		69 218
Utilities		2 472		2 548
Telephone and Postage		6 475		5 138
Supplies		7 297		14 457
Testing		4 805		4 645
Miscellaneous		4 496		2 602
Total	<u>498 100</u>	<u>471 736</u>	<u>26 364</u>	<u>429 561</u>
Total Operating Expenditures	<u>605 000</u>	<u>577 627</u>	<u>27 373</u>	<u>533 180</u>
Budgetary Appropriations:				
Principal and Interest Paid	118 900	114 885	4 015	114 205
Capital Outlay				9 074
Total Budgetary Appropriations	<u>118 900</u>	<u>114 885</u>	<u>4 015</u>	<u>123 279</u>
Total Expenditures	<u>723 900</u>	<u>692 512</u>	<u>31 388</u>	<u>656 459</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$</u>	<u>\$ 9 753</u>	<u>\$ 9 753</u>	<u>\$ 30 617</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:				
REVENUES AND OTHER SOURCES OVER (Under) EXPENDITURES AND OTHER USES			\$ 9 753	
Add:				
Debt Principal Payment			49 731	
Less:				
Increase in Deferred Inflows		(38)		
Depreciation		(140 221)		
Increase in Net Pension Liability		(3 812)		
Increase in Vacation Pay		(594)		
Decrease in Deferred Outflows-Pensions		(410)	(145 075)	
Change in Net Position (Exhibit 7)			<u>\$ (85 591)</u>	

TOWN OF RUTHERFORD COLLEGE
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2019</u>	<u>Additions</u>	Collections and <u>Credits</u>	Uncollected Balance <u>June 30, 2020</u>
2019 - 2020	\$	\$ 164 123	\$ 160 897	\$ 3 226
2018 - 2019	2 646		1 421	1 225
2017 - 2018	947		357	590
2016 - 2017	327		38	289
2015 - 2016	416		14	402
2014 - 2015	239		14	225
2013 - 2014	289		14	275
2012 - 2013	195		1	194
2011 - 2012	192			192
2010 - 2011	207			207
2009 - 2010	<u>179</u>		<u>179</u>	
Totals	<u>\$5 637</u>	<u>\$ 164 123</u>	<u>\$ 162 935</u>	\$ 6 825
Less Allowance for Uncollected Taxes				<u>4 530</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 2 295</u>
Reconciliation with Revenue:				
Ad Valorem Tax Revenue			\$ 163 129	
Less Penalties and Interest			<u>372</u>	\$ 162 757
Add Write Off per Statute of Limitations				<u>178</u>
Total Collections and Credits			<u>\$ 162 935</u>	

TOWN OF RUTHERFORD COLLEGE
ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Excluding Vehicles</u>	<u>Motor Vehicles</u>
Tax Levy	\$119 097 500	\$.10	\$142 917	\$ 142 917	\$
Vehicle Taxes	9 700 000	.10	11 640		11 640
Discoveries	8 131 667	.10	9 758	9 758	
Releases	<u>(160 000)</u>	.10	<u>(192)</u>	<u>(192)</u>	
Total for Year	<u>\$136 769 167</u>		164 123	152 483	11 640
Less Uncollected Taxes at June 30, 2020			<u>3 226</u>	<u>3 226</u>	
Current Year Taxes Collected			<u>\$160 897</u>	<u>\$ 149 257</u>	<u>\$ 11 640</u>
Percent of Current Year's Taxes Collected			<u>98.03%</u>	<u>97.88%</u>	<u>100.00%</u>

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF NET POSITION
WATER AND SEWER FUND BY FUNCTION
JUNE 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 593 875	\$ 399 705	\$ 993 580
Accounts Receivable	<u>30 197</u>	<u>47 105</u>	<u>77 302</u>
Total Current Assets	<u>624 072</u>	<u>446 810</u>	<u>1 070 882</u>
Non Current Assets:			
Capital Assets:			
Land and Construction in Progress		1 699	1 699
Other Capital Assets, Net of Depreciation	<u>1 207 809</u>	<u>2 077 551</u>	<u>3 285 360</u>
Total Non Current Assets	<u>1 207 809</u>	<u>2 079 250</u>	<u>3 287 059</u>
Total Assets	<u>\$ 1 831 881</u>	<u>\$ 2 526 060</u>	<u>\$ 4 357 941</u>
<u>Deferred Outflows of Resources:</u>			
Pension Deferrals	<u>4 694</u>	<u>3 130</u>	<u>7 824</u>
<u>Liabilities:</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 20 236	\$ 18 680	\$ 38 916
Revolving Loan-Current	16 053		16 053
USDA General Obligation Bonds Payable - Current		27 000	27 000
USDA Notes - Current	8 567		8 567
Compensated Absences	<u>1 546</u>	<u>1 427</u>	<u>2</u>
973			
Total Current Liabilities	<u>46 402</u>	<u>47 107</u>	<u>93 509</u>
Non Current Liabilities:			
Revolving Loan-Non Current	241 870		241 870
USDA General Obligation Bonds Payable - Non current		826 500	826 500
USDA Notes - Non Current	386 308		386 308
Net Pension Liability	<u>7 676</u>	<u>6 989</u>	<u>14 665</u>
Total Non Current Liabilities	<u>635 854</u>	<u>833 489</u>	<u>1 469 343</u>
Total Liabilities	<u>682 256</u>	<u>880 596</u>	<u>1 562 852</u>
<u>Deferred Inflows of Resources:</u>			
Pension Deferrals	<u>250</u>	<u>168</u>	<u>418</u>
<u>Net Position</u>			
Net investment in Capital Assets	555 011	1 225 750	1 780 761
Unrestricted	<u>599 058</u>	<u>422 676</u>	<u>1 021 734</u>
Total Net Position	<u>\$ 1 154 069</u>	<u>\$ 1 648 426</u>	<u>\$ 2 802 495</u>

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charge for Services	\$ 353 776	\$ 326 562	\$ 680 338
Water and Sewer Taps	7 800	14 000	21 800
	<u>361 576</u>	<u>340 562</u>	<u>702</u>
Total Operating Revenues			
<u>138</u>			
Operating Expenses			
Administration	59 299	46 592	105 891
Water Treatment and Distribution	266 890		266 890
Waste Collection and Treatment		209 700	209 700
Depreciation	30 849	109 372	140
	<u>357 038</u>	<u>365 664</u>	<u>722</u>
Total Operating Expenses			
<u>221</u>			
Operating Income (Loss)	<u>4 538</u>	<u>(25 102)</u>	<u>(20</u>
<u>564)</u>			
Nonoperating Revenues (Expenses)			
Interest Expense and Other Income	<u>(23 274)</u>	<u>(41 753)</u>	<u>(65 027)</u>
Change in Net Position	(18 736)	(66 855)	(85 591)
Total Net Position -			
Beginning of Year	<u>1 172 805</u>	<u>1 715 281</u>	<u>2 888 086</u>
Total Net Position -			
End of Year	<u>\$ 1 154 069</u>	<u>\$ 1 648 426</u>	<u>\$ 2 802 495</u>

TOWN OF RUTHERFORD COLLEGE
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 367 090	\$ 338 846	\$ 705 936
Cash Paid for Goods and Services	(267 514)	(210 195)	(477 709)
Cash Paid To or On Behalf of Employees for Services	(58 200)	(45 729)	(103
	<u>929)</u>		
Net Cash Provided (Used) by Operating Activities	<u>41 376</u>	<u>82 922</u>	<u>124 298</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Bond Maturities and Revolving Loans	(24 231)	(25 500)	(49 731)
Interest Paid on Bond Maturities and Revolving Loans	(23 401)	(41 753)	(65 154)
Other	109		109
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(47 523)</u>	<u>(67 253)</u>	<u>(114 776)</u>
Cash flows for Investing Activities:			
Interest Earned	<u>12</u>	<u>6</u>	<u>18</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6 135)	15 675	9 540
Balances - Beginning	<u>600 010</u>	<u>384 030</u>	<u>984 040</u>
Balances - Ending	<u>\$ 593 875</u>	<u>\$ 399 705</u>	<u>\$ 993 580</u>

TOWN OF RUTHERFORD COLLEGE
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 4 538	\$ (25 102)	\$ (20 564)
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	30 849	109 372	140 221
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	1 975	1 823	3 798
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2 086	(6 097)	(4 011)
(Increase) Decrease in Deferred Outflows-Pensions	250	160	410
Increase (Decrease) in Deferred Inflows-Pensions	20	18	38
Increase (Decrease) in Compensated Absences	309	285	594
Increase (Decrease) in Net Pension Liability	<u>1 349</u>	<u>2 463</u>	<u>3 812</u>
Total Adjustments	<u>36 838</u>	<u>108 024</u>	<u>144 862</u>
Net Cash Provided by Operating Activities	<u>\$ 41 376</u>	<u>\$ 82 922</u>	<u>\$ 124 298</u>