

**REPORT ON**  
**TOWN OF SEVERN, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**REPORT ON  
TOWN OF SEVERN, NORTH CAROLINA  
YEAR ENDED JUNE 30, 2020**

**MAYOR  
GEORGE MCGEE**

**TOWN CLERK & FINANCE OFFICER  
CAROL FERGUSON**

**TAX COLLECTOR  
MARSHALL LASSITER**

**COMMISSIONERS**

**R.P. WATSON, JR.  
ELOISE P. MARTIN**

**TONY HERMAN  
TROY HOLLOMAN**

**PAIGE B. PINNIX**

**TOWN OF SEVERN, NORTH CAROLINA**  
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**JUNE 30, 2020**

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## FINANCIAL SECTION

**JOHNSON, MCLEAN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 467  
200 NORTH WYNN STREET  
MURFREESBORO, NORTH CAROLINA 27855

R. DON JOHNSON, JR., CPA  
BEN S. McLEAN, CPA

Reply To:  
Post Office Box 467  
Murfreesboro, North Carolina 27855  
Telephone: 252-398-5141  
Facsimile: 252-398-5142  
Email: Don - [djohnson@johnsonmclean.com](mailto:djohnson@johnsonmclean.com)  
Ben - [bmclean@johnsonmclean.com](mailto:bmclean@johnsonmclean.com)

Ahoskie Office:  
400 East Church Street  
Ahoskie, North Carolina 27910  
Telephone: 252-332-4417  
Facsimile: 252-332-7538

### Independent Auditors' Report

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

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

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Severn, 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 Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 23 and 24, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 to 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 Severn's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 audit standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

  
Johnson, McLean & Company, CPA's  
September 1, 2020

## **Management's Discussion and Analysis**

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

### **Financial Highlights**

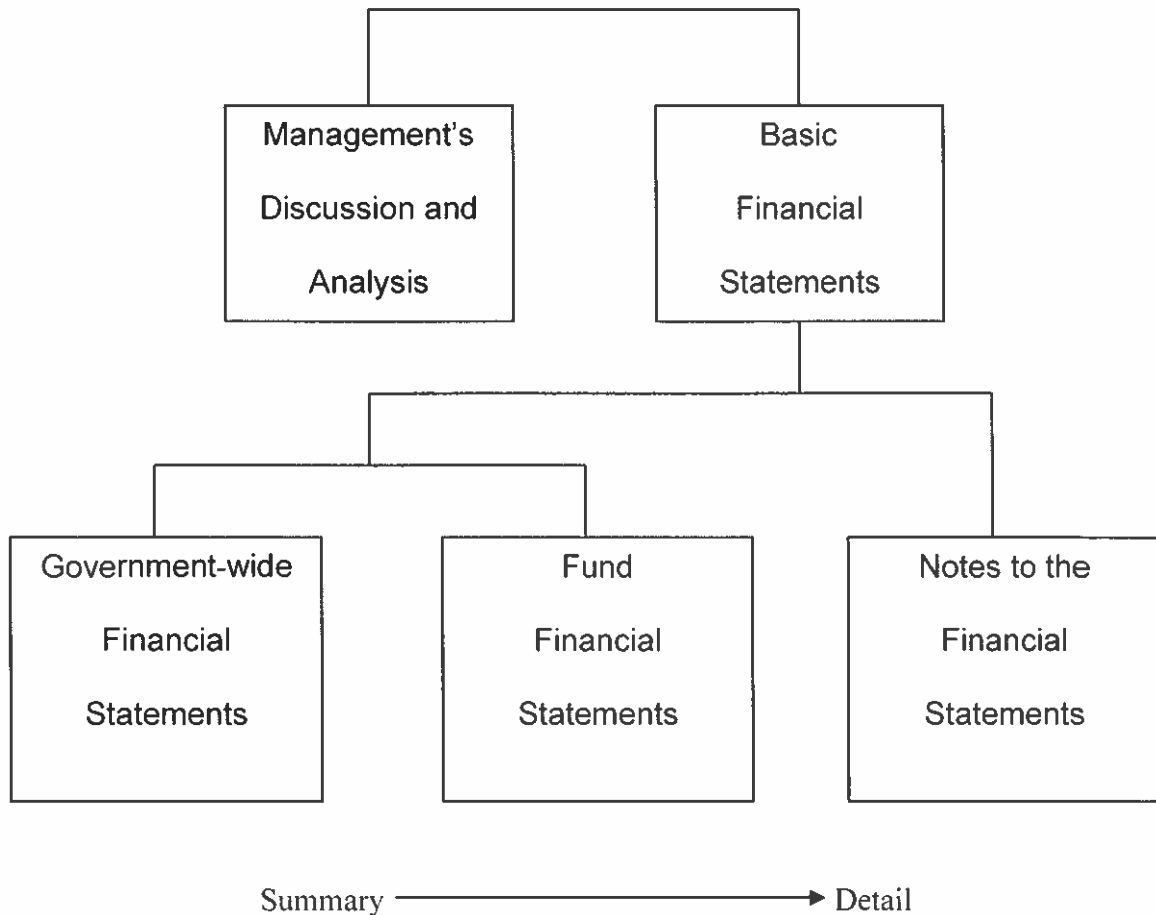
- The assets of the Town of Severn exceeded its liabilities at the close of the fiscal year by \$2,727,239 (*net position*).
- The government's total net position increased by \$94,084, due to increases of the governmental activities of \$78,808 netted with an increase in the business-type activities of \$15,276.
- As of the close of the current fiscal year, the Town of Severn's governmental funds reported combined ending fund balances of \$1,302,871 an increase of \$76,703 in comparison with the prior year. Approximately 96 percent of this total amount, or \$1,254,359, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,254,359, or 399 percent of total general fund expenditures for the fiscal year.
- The Town of Severn is debt free. All previous outstanding bonds have been paid in full.

### **Overview of the Financial Statements**

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

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

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



## Management Discussion and Analysis

### Town of Severn

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

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

### Government-wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

### Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Severn, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Severn can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of

## Management Discussion and Analysis

### Town of Severn

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

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

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

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

Management Discussion and Analysis  
Town of Severn

Government-Wide Financial Analysis

The Town of Severn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and other assets	\$ 1,330,000	\$ 1,256,314	\$ 572,449	\$ 544,555	\$ 1,902,449	\$ 1,800,869
Non-current assets	-	-	-	-	-	-
Capital assets	146,966	135,751	709,872	720,895	856,838	856,646
Total assets	1,476,966	1,392,065	1,282,321	1,265,450	2,759,287	2,657,515
<b>Deferred outflows of resources:</b>						
Contributions to pension plan in current fiscal year	28,064	33,583	-	-	28,064	1,095
Total deferred outflows	28,064	33,583	-	-	28,064	1,095
<b>Liabilities:</b>						
Long-term liabilities outstanding	-	-	-	-	-	-
Other liabilities	51,842	51,097	7,020	5,465	58,862	56,562
Total liabilities	51,842	51,097	7,020	5,465	58,862	56,562
<b>Deferred inflows of resources:</b>						
Pension deferrals	-	171	-	-	-	171
Prepaid water & sewer	-	-	1,250	1,210	1,250	1,210
Total deferred outflows	-	171	1,250	1,210	1,250	1,381
<b>Net Position:</b>						
Invested in capital assets, net of related debt	146,966	135,751	709,872	720,895	856,838	856,646
Restricted	48,512	40,381	-	-	48,512	40,381
Unrestricted	1,257,710	1,198,248	564,179	537,880	1,821,889	1,736,128
Total net assets	\$ 1,453,188	\$ 1,374,380	\$ 1,274,051	\$ 1,258,775	\$ 2,727,239	\$ 2,633,155

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Severn exceeded liabilities by \$2,727,239 as of June 30, 2020. The Town's net position increased by \$94,084 for the fiscal year ended June 30, 2020. However, a large portion 31.4 percent reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Severn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Severn's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Severn net position (1.8%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Severn's net position of \$1,821,889 (66.8%) is unrestricted.

## Management Discussion and Analysis

### Town of Severn

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

- The Town is debt free.
- Continued diligence in controlling expenses has kept cost of operations low.

### Town of Severn Changes in Net Position

Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 24,956	\$ 25,661	\$ 104,995	\$ 105,391	\$ 129,951	\$ 131,052
Operating grants and contributions	8,883	8,998	-	-	8,883	8,998
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	225,564	230,340	-	-	225,564	230,340
Other taxes	112,594	114,219	-	-	112,594	114,219
Capital Grants,	-	-	-	-	-	-
Other	16,405	24,453	5,948	9,116	22,353	33,569
Total revenues	388,402	403,671	110,943	114,507	499,345	518,178
<b>Expenses:</b>						
General government	137,736	131,031	-	-	137,736	131,031
Public safety	20,670	24,213	-	-	20,670	24,213
Transportation	151,188	143,299	-	-	151,188	143,299
Water and sewer	-	-	95,667	99,863	95,667	99,863
Total expenses	309,594	298,543	95,667	99,863	405,261	398,406
Increase in net assets before transfers	78,808	105,128	15,276	14,644	94,084	119,772
Transfers	-	-	-	-	-	-
Increase in net assets	78,808	105,128	15,276	14,644	94,084	119,772
Net Position, July 1	1,374,380	1,269,252	1,258,775	1,244,131	2,633,155	2,513,383
Restatement of pervious year	-	-	-	-	-	-
Net Position, June 30	\$ 1,453,188	\$ 1,374,380	\$ 1,274,051	\$ 1,258,775	\$ 2,727,239	\$ 2,513,383

Management Discussion and Analysis  
**Town of Severn**

**Governmental activities.** Governmental activities increased the Town's net position by \$78,808. Revenues were \$15,269 less than the previous year mainly due to less investment earnings. Expenses were \$11,051 more than the previous year.

**Business-type activities.** Business-type activities increased the the Town of Severn's net position by \$15,276. Expenses were \$4,196 less than the previous year and revenues were down \$3,504 due to investment earnings.

**Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Severn. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,254,359 while total fund balance was \$1,302,871. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 399% of total General Fund expenditures, while total fund balance represents 415% of the same amount.

At June 30, 2020, the governmental funds of Town of Severn reported a combined fund balance of \$1,254,359, a 6.3 percent increase over last year.

**General Fund Budgetary Highlights:** During the fiscal year, the Town did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were \$80 less than budgeted. Expenditures were \$76,783 less than budgeted.

Expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$564,179. The town had a increase in total net position of \$15,276 for the current year. Other factors

Management Discussion and Analysis  
**Town of Severn**

concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Severn's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$856,838 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, and construction in progress.

The Town had increases of \$34,851 in the Business-type Activities in the water and distribution system for water tank improvements. The Town purchased equipment in the Governmental Activities, street department in the amount of \$29,856 for a truck. The Town did not have any disposals.

**Town of Severn's Capital Assets**

**Figure 4**

(net of depreciation)

	Governmental Activities 2020	Governmental Activities 2019	Business-type Activities 2020	Business-type Activities 2019	Total 2020	Total 2019
Land	\$ 15,816	\$ 15,816	\$ 50	\$ 50	\$ 15,866	\$ 15,866
Buildings and systems	13,707	14,326	686,146	692,856	699,853	707,182
Machinery and equipment	30,922	3,483	23,676	27,989	54,598	31,472
Infrastructure	58,098	69,574	-	-	58,098	69,574
Vehicles and motorized equipment	28,423	32,552	-	-	28,423	32,552
<b>Total</b>	<b>\$ 146,966</b>	<b>\$ 135,751</b>	<b>\$ 709,872</b>	<b>\$ 720,895</b>	<b>\$ 856,838</b>	<b>\$ 856,646</b>

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

**Long-term Debt.** As of June 30, 2020, the Town of Severn had no bonded debt outstanding.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Severn is \$5,094,992. The Town has \$ 0 in bonds authorized and un-issued at June 30, 2020.

### **Economic Factors and Next Year's Budgets and Rates**

The following indicators reflect Severn and the surrounding area economic condition.

- High unemployment rate for the area.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** Property taxes remained at 35 cents per \$100.

Budgeted expenditures in the General Fund including the Powell Bill for the 2021 budget was set at \$385,460 compared to the 2020 final expenditures of \$314,027 and budget of \$390,810.

**Business – type Activities:** The water and sewer rates for the year ending 2021 were kept at the 2020 rates. An operating expense budget for 2021 was set at \$104,350 to start the year compared to the 2020 final budget of \$114,025 and \$84,644 actual expenses.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Carol Ferguson, Town of Severn, P.O. Box 401, Severn, NC 27877. Current e-mail is [severnnc@3rddoor.com](mailto:severnnc@3rddoor.com); the location of the Severn Town Hall is 314 Main Street, Severn, NC 27877, Telephone number (252) 585-0411, office hours, 8am-5pm, M-F.

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## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,271,791	\$ 552,951	\$ 1,824,742
Taxes receivables (net)	7,606	-	7,606
Accrued interest receivable on taxes	2,091	-	2,091
Accounts receivable (net)	12,799	14,773	27,572
Restricted cash	35,713	4,725	40,438
Total current assets	<u>1,330,000</u>	<u>572,449</u>	<u>1,902,449</u>
Non-current assets:			
Net pension assets	-	-	-
Capital assets (Note 1):			
Land, non-depreciable improvements	15,816	50	15,866
Other capital assets, net of depreciation	131,150	709,822	840,972
Total capital assets	<u>146,966</u>	<u>709,872</u>	<u>856,838</u>
Total assets	<u>1,476,966</u>	<u>1,282,321</u>	<u>2,759,287</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contribution to pension plan in current fiscal year	28,064	-	28,064
Total deferred outflows of resources	<u>28,064</u>	<u>-</u>	<u>28,064</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	17,432	2,295	19,727
Customer deposits	-	4,725	4,725
Net pension liability	34,410	-	34,410
Total liabilities	<u>51,842</u>	<u>7,020</u>	<u>58,862</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	-	-	-
Prepaid water & sewer	-	1,250	1,250
Total deferred outflows of resources	<u>-</u>	<u>1,250</u>	<u>1,250</u>
<b>NET POSITION</b>			
Net investment in capital assets	146,966	709,872	856,838
Restricted			
Stabilization by State statute	12,799	-	12,799
Streets	35,713	-	35,713
Unrestricted	1,257,710	564,179	1,821,889
Total net position	<u>\$ 1,453,188</u>	<u>\$ 1,274,051</u>	<u>\$ 2,727,239</u>

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

**EXHIBIT B**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			Total
						Governmental Activities	Business-type Activities		
<b>Primary government:</b>									
Governmental Activities:									
General government	\$ 137,736	\$ 1,200	\$ -	\$ -	(136,536)	\$ -	\$ -		(136,536)
Public safety	20,670	-	-	-	(20,670)	-	-		(20,670)
Transportation	151,188	23,756	8,883	-	(118,549)	-	-		(118,549)
Total governmental activities (See Note 1)	309,594	24,956	8,883	-	(275,755)	-	-		(275,755)
<b>Business-type activities:</b>									
Water and sewer	95,667	104,995	-	-	-	-	9,328		9,328
	95,667	104,995	-	-	-	-	9,328		9,328
Total primary government	\$ 405,261	\$ 129,951	\$ 8,883	\$ -	(275,755)	(275,755)	9,328		(266,427)
<b>General revenues:</b>									
Taxes:									
Property taxes, levied for general purpose					225,564	-	-		225,564
Other taxes					112,594	-	-		112,594
Sales & service					-	-	-		-
Unrestricted investment earnings					15,758	5,948	-		21,706
Miscellaneous					647	-	-		647
Total general revenues, special items, and transfers					354,563	5,948	-		360,511
Change in net position					78,808	15,276	-		94,084
Net position, beginning					1,374,380	1,258,775	-		2,633,155
Net position, ending					\$ 1,453,188	\$ 1,274,051	\$ -		2,727,239

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	<u>Major Funds</u> <u>General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,271,791	\$ 1,271,791
Restricted cash	35,713	35,713
Receivables, net:		
Taxes	7,606	7,606
Accounts	12,799	12,799
Total assets	<u>\$ 1,327,909</u>	<u>\$ 1,327,909</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 17,432</u>	<u>\$ 17,432</u>
Total liabilities	<u>17,432</u>	<u>17,432</u>
Deferred Inflows of Resources		
Property Taxes Uncollected	7,606	7,606
Fund balances:		
Restricted		
Stabilization by State Statute	12,799	12,799
Streets	35,713	35,713
Assigned		
Subsequent year's expenditures	-	-
Unassigned	<u>1,254,359</u>	<u>1,254,359</u>
Total fund balances	<u>1,302,871</u>	<u>1,302,871</u>
Total liabilities and fund balances	<u>\$ 1,327,909</u>	<u>\$ 1,327,909</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 146,966

Contributions to pension plan in current fiscal year are deferred outflows of resources on the statement of net position. 28,064

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,091

Liabilities for earned but deferred revenues in fund statements. 7,606

Net pension liability (34,410)

Pension deferrals -

Net position of governmental activities \$ 1,453,188

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Ad valorem taxes	\$ 227,892	\$ 227,892
Other taxes and licenses	64,047	64,047
Unrestricted intergovernmental	48,547	48,547
Restricted intergovernmental	8,883	8,883
Sales & service	1,756	1,756
Miscellaneous	23,847	23,847
Investment earnings	15,758	15,758
Total revenues	<u>390,730</u>	<u>390,730</u>
<b>EXPENDITURES</b>		
Current:		
General government	133,444	133,444
Public safety	20,670	20,670
Transportation	159,913	159,913
Total expenditures	<u>314,027</u>	<u>314,027</u>
Excess (deficiency) of revenues over expenditures	<u>76,703</u>	<u>76,703</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	76,703	76,703
Fund balances-beginning	1,226,168	1,226,168
Fund balances-ending	<u>\$ 1,302,871</u>	<u>\$ 1,302,871</u>

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ 76,703
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	11,215
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Accrued interest on taxes	(804)
Change in deferred revenue for tax revenues	(1,524)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	<u>(6,782)</u>
Total changes in net position of governmental activities	<u>\$ 78,808</u>

**TOWN OF SEVERN, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 224,250	\$ 224,250	\$ 227,892	\$ 3,642
Other taxes and licenses	62,000	62,000	64,047	2,047
Unrestricted intergovernmental	47,200	47,200	48,547	1,347
Restricted intergovernmental	9,210	9,210	8,883	(327)
Permits and fees	50	50	-	(50)
Sales & services	500	500	1,756	1,256
Investment earnings	22,500	22,500	15,758	(6,742)
Miscellaneous	25,100	25,100	23,847	(1,253)
Total revenues	390,810	390,810	390,730	(80)
Expenditures:				
Current:				
General government	159,160	159,160	133,444	25,716
Public safety	29,250	29,250	20,670	8,580
Transportation	202,400	202,400	159,913	42,487
Total expenditures	390,810	390,810	314,027	76,783
Revenues over (under) expenditures	-	-	76,703	76,703
Other financing sources (uses):				
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	-	76,703	76,703
Fund balances, beginning of year	-	-	1,226,168	-
Fund balances, end of year	\$ -	\$ -	\$ 1,302,871	\$ -

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2020**

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 552,951
Restricted Cash and Cash Equivalents	4,725
Accounts receivable (net) - billed	14,773
Total current assets	<u>572,449</u>
Capital assets:	
Land and other non-depreciable assets	50
Other capital assets, net of depreciation	709,822
Capital assets (net)	<u>709,872</u>
Total assets	<u>1,282,321</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	2,295
Unearned revenue	1,250
Customer deposits	4,725
Total current liabilities	<u>8,270</u>
Noncurrent liabilities:	
Other noncurrent liabilities:	
None	-
Total liabilities	<u>8,270</u>
<b>NET POSITION</b>	
Net investment in capital assets	709,872
Unrestricted	564,179
Net position of business-type activities	<u>\$ 1,274,051</u>

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



**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2020**

	<u>Enterprise Funds</u> <u>Water and</u> <u>Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 104,970
Other	25
<b>Total operating revenues</b>	<u>104,995</u>
<b>OPERATING EXPENSES</b>	
Administration	-
Water and waste treatment and distribution	49,793
Depreciation	45,874
<b>Total operating expenses</b>	<u>95,667</u>
<b>Operating income (loss)</b>	<u>9,328</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	5,948
<b>Total nonoperating revenue (expenses)</b>	<u>5,948</u>
<b>Income (loss) before contributions and transfers</b>	15,276
<b>Change in net position</b>	
<b>Total net position - beginning</b>	1,258,775
<b>Total net position - ending</b>	<u><u>\$ 1,274,051</u></u>

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 102,940
Cash paid for goods and services	(48,053)
Cash paid for salaries	-
Customer deposits received	(185)
Net cash provided (used) by operating activities	<u>54,702</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital outlay	(34,851)
Net cash provided (used) by capital and related financing activities	<u>(34,851)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	5,948
Net increase (decrease) in cash and cash equivalents	25,799
Balances-beginning of the year	531,877
Balances-end of the year	<u><u>\$ 557,676</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income (loss)	\$ 9,328
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	45,874
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,095)
Increase (decrease) in accounts payable	1,740
Increase (decrease) in unearned revenue	40
Increase (decrease) in customer deposits	(185)
Net cash provided by operating activities	<u><u>\$ 54,702</u></u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF SEVERN, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**I. Summary of Significant Accounting Policies**

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

**B. Basis of Presentation**

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

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

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

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

The Town reports the following non-major governmental fund:

None.

The Town reports the following major enterprise funds:

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

**C. Measurement Focus and Basis of Accounting**

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue of the Town of Severn because the tax is levied by Northampton 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported 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. Restricted Assets**

Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per [G.S. 136-14.1 through 136-41.4] Customer deposits held by the Town are restricted to the service for which the deposit was collected.

<u>Town of Severn Restricted Cash</u>	
Governmental Activities	
Streets	\$ 35,713
Business-type Activities	
Water & Sewer Fund	
Customer Deposits	4,725
Total Restricted Cash	<u>\$ 40,438</u>

**4. Ad Valorem Taxes Receivable**

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

**5. Allowances for Doubtful Accounts**

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

**6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value of 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. Water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at 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. The Town does not have a capitalization policy.

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

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

Asset Class	Estimated Useful Lives
Infrastructure	30 - 40
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	5

**7. Deferred Outflows/Inflows of Resources**

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

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums 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 premiums or discount. Bond issuance costs except for prepaid insurance cost, are expensed in the reporting period in which they are incurred. Prepaid insurance cost are expensed over the life of the debt.

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

**9. Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to twenty 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. There was no unused vacation at the end of the year.

The Town's sick leave policy provides for a maximum accumulation of 90 days 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. Sick leave in the amount of \$24,241 has been earned in the governmental funds.

**TOWN OF SEVERN, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS (cont.)  
JUNE 30, 2020**

**10. Net Position/Fund Balances**

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

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:

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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$5,000.

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

**II. Defined Benefit Cost-Sharing Plans**

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

**III. Stewardship, Compliance, and Accountability**

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

**1. Noncompliance with North Carolina General Statutes**

None

**2. Contractual Violations**

None

**B. Deficit Fund Balance or Net Position of Individual Funds**

None



**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

**C. Excess of Expenditures over Appropriations**

None

**IV. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$90,628 and a bank balance of \$92,983. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. There was cash on hand of \$0.

**2. Investments**

At June 30, 2020, the Town of Severn had \$1,774,552 invested with the North Carolina Capital Management Trust's Governmental Portfolio which carried a credit rating of AAAM by Standard and Poor's.

The Town has no policy regarding credit risk.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Fund	6/30/2020
General Fund:	
Taxes receivable	\$ 400
Accounts receivable	-
Total	400
Enterprise Funds	-
Total	<u>\$ 400</u>

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

**4. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:	\$ 15,816			\$ 15,816
Capital assets being depreciated:				
Buildings	50,506	-	-	50,506
Equipment	25,082	29,856	-	54,938
Autos & trucks	69,014	-	-	69,014
Infrastructure	170,747	-	-	170,747
Total capital assets being depreciated	315,349	29,856	-	345,205
Less accumulated depreciation for:				
Buildings	36,180	619	-	36,799
Equipment	21,599	2,417	-	24,016
Autos & trucks	36,462	4,129	-	40,591
Infrastructure	101,173	11,476	-	112,649
Total accumulated depreciation	195,414	18,641	-	214,055
Total capital assets being depreciated, net	119,935			131,150
<b>Governmental activity capital assets, net</b>	<b>\$ 135,751</b>			<b>\$ 146,966</b>

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

General government	\$ 901
Public safety	-
Transportation	17,740
Total depreciation expense	<u>\$ 18,641</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land & construction in progress	\$ 50	\$ -	\$ -	\$ 50
Capital assets being depreciated:				
Water plant and distribution system	443,945	34,851	-	478,796
Sewer plant and distribution systems	1,127,876	-	-	1,127,876
Furniture and maintenance equipment	162,057	-	-	162,057
Building	949	-	-	949
	1,734,827	34,851	-	1,769,678
Less accumulated depreciation for:				
Water plant and distribution systems	184,461	13,900	-	198,361
Sewer plant and distribution systems	694,504	27,661	-	722,165
Furniture and maintenance equipment	134,068	4,313	-	138,381
Building	949	-	-	949
Total accumulated depreciation	1,013,982	\$ 45,874	\$ -	1,059,856
Total capital assets being depreciated, net	720,845			709,822
<b>Water and Sewer fund capital assets, net</b>	<b>\$ 720,895</b>			<b>\$ 709,872</b>

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Severn 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 Severn's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Severn were \$12,463 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$34,410 for its proportionate share of the net pension liabilities. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset 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 asset 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

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

June 30, 2019, the Town's proportion was 0.00126%, which was a decrease of 0.00013% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$19,235. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,892	\$ -
Changes of assumptions	5,608	
Net difference between projected and actual earnings on pension plan investments	840	
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,261	
Town contributions subsequent to the measurement date	12,463	
Total	<u>\$ 28,064</u>	<u>\$ -</u>

\$9,471 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2021	\$	7,860
2022		2,638
2023		3,860
2024		1,241
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 78,701,000	\$ 34,410	\$ (2,406)

*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.

**d. Other Employment Benefits**

The Town provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those law Enforcement officers who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

benefit payments to beneficiaries are equal to the law enforcement officer's twelve highest months salary in a row during the twenty-four months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because the benefit payments are made from Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

**2. Deferred Outflows and Inflows of Resources**

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deferred Outflow of Resources		
Contributions to pension plan in current fiscal year	28,064	
Deferred Inflow of Resources		
Property taxes		7,606
Pension deferrals	-	
Prepaid water & sewer	1,250	

**3. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage 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 against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured 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 values.

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

The Town does not carry flood insurance.

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

**4. Claims, Judgments and Contingent Liabilities**

At June 30, 2020, the Town was not a defendant to any lawsuits.

**5. Long-Term Obligations**

None.

**TOWN OF SEVERN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
**JUNE 30, 2020**

**C. Interfund Balances and Activity**

Balances Due to/from Other Funds

None.

**VI. Related Party Transactions**

The Town has participated in no related party transactions for the year ended June 30, 2020.

**VI. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**VII. Significant Effects of Subsequent Events**

There have been no events that occurred between June 30, 2020 and the date of this report that have significant effect on the Town.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



**TOWN OF SEVERN, NORTH CAROLINA**  
**TOWN OF SEVERN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For Three Fiscal Years Ended June 30, 2020**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Severn's proportion of the net pension liability (asset) (%)	12.600000%	12.600000%	0.001490%	0.001550%	0.001560%
Severn's proportion of the net pension liability (asset) (\$)	\$ 34,410	\$ 32,976	\$ 22,763	\$ (32,896)	\$ (7,001)
Severn's covered-employee payroll	\$ 139,251	\$ 122,395	\$ 118,647	\$ 116,022	\$ 114,012
Severn's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.71%	26.94%	19.19%	-28.35%	-6.14%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.63%	94.18%	91.47%	98.09%

TOWN OF SEVERN, NORTH CAROLINA  
TOWN OF SEVERN'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
For Three Fiscal Years Ended June 30, 2020

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 12,463	\$ 8,887	\$ 8,400	\$ 11,958	\$ 9,527
Contributions in relation to the contractually required contribution	<u>12,463</u>	<u>8,887</u>	<u>8,400</u>	<u>11,958</u>	<u>9,527</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Severn's covered-employee payroll	\$ 139,251	\$ 122,395	\$ 118,647	\$ 116,022	\$ 114,012
Contributions as a percentage of covered-employee payroll	8.95%	7.26%	7.08%	10.31%	8.36%

**INDIVIDUAL FUND STATEMENT AND SCHEDULES**

TOWN OF SEVERN , NORTH CAROLINA  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES &  
CHANGES IN FUND BALANCE - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Current year	\$ -	\$ 221,908	\$ -
Prior years	-	4,185	-
Penalties & interest	-	1,799	-
<b>Total</b>	<u>224,250</u>	<u>227,892</u>	<u>3,642</u>
<b>Other Taxes:</b>			
Local option sales tax	-	64,047	-
<b>Total</b>	<u>62,000</u>	<u>64,047</u>	<u>2,047</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Franchise tax	-	46,128	-
Tax refunds	-	986	-
Beer & wine tax	-	1,433	-
ABC distribution	-	-	-
<b>Total</b>	<u>47,200</u>	<u>48,547</u>	<u>1,347</u>
<b>Restricted Intergovernmental Revenues:</b>			
"State Street Aid" allocation	-	8,672	-
Solid Waste Disposal Tax	-	211	-
<b>Total</b>	<u>9,210</u>	<u>8,883</u>	<u>(327)</u>
<b>Permits &amp; Fees</b>	<u>50</u>	<u>-</u>	<u>(50)</u>
<b>Sales &amp; Service:</b>			
Other	-	156	-
Cemetary	-	1,600	-
<b>Total</b>	<u>500</u>	<u>1,756</u>	<u>1,256</u>
<b>Other:</b>			
Rent	-	1,200	-
Miscellaneous	-	647	-
Salary, insurance & gasoline reimbursement	-	22,000	-
<b>Total</b>	<u>25,100</u>	<u>23,847</u>	<u>(1,253)</u>
<b>Investment Earnings:</b>			
Investment earnings	<u>22,500</u>	<u>15,758</u>	<u>(6,742)</u>
<b>Total Revenues</b>	<u>\$ 390,810</u>	<u>\$ 390,730</u>	<u>\$ (80)</u>

TOWN OF SEVERN , NORTH CAROLINA  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES &  
CHANGES IN FUND BALANCE - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Professional services	\$ -	\$ 11,086	\$ -
Councilman fees	-	4,391	-
<b>Total</b>	<u>15,500</u>	<u>15,477</u>	<u>23</u>
<b>Administration:</b>			
Salaries & employee benefits	\$ -	\$ 86,880	\$ -
Insurance	-	18,870	-
Supplies & materials	-	378	-
League & conference fees	-	1,443	-
Postage & printing	-	335	-
Electricity	-	8,406	-
Other expenses	-	1,655	-
<b>Total</b>	<u>143,660</u>	<u>117,967</u>	<u>25,693</u>
<b>Total General Government</b>	<u>159,160</u>	<u>133,444</u>	<u>25,716</u>
<b>Public Safety:</b>			
Police:			
Dare	-	9,350	-
Insurance	-	1,000	-
Other	-	320	-
	<u>14,250</u>	<u>10,670</u>	<u>3,580</u>
Fire & Rescue:	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
<b>Total Public Safety</b>	<u>\$ 29,250</u>	<u>\$ 20,670</u>	<u>\$ 8,580</u>

**TOWN OF SEVERN , NORTH CAROLINA  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES &  
CHANGES IN FUND BALANCE - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Street &amp; Sanitation:</b>			
Salaries & employee benefits	\$ -	\$ 102,854	\$ -
Equipment maintenance	-	4,460	-
Electricity	-	7,776	-
Gasoline	-	6,948	-
Supplies & materials	-	2,218	-
Insurance	-	2,400	-
Solid Waste	-	783	-
Cemetary	-	439	-
Uniforms	-	2,179	-
Capital outlay	-	29,856	-
<b>Total Street &amp; Sanitation</b>	<u>202,400</u>	<u>159,913</u>	<u>42,487</u>
<b>Contingency</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>390,810</u>	<u>314,027</u>	<u>76,783</u>
Revenues over (under) expenditures	<u>-</u>	<u>76,703</u>	<u>76,703</u>
<b>Other Financing Sources (Uses):</b>			
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses) - Net</b>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue & other sources over expenditures & other uses	<u>\$ -</u>	<u>76,703</u>	<u>\$ (76,703)</u>
<b>Fund Balances:</b>			
Beginning of year, July 1		<u>1,226,168</u>	
End of year, June 30		<u>\$ 1,302,871</u>	

TOWN OF SEVERN, NORTH CAROLINA  
WATER & SEWER FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Service:			
Water & Sewer Charges	\$ -	\$ 104,970	\$ -
Other Operating Revenues	-	25	-
Total Operating Revenues	<u>104,525</u>	<u>104,995</u>	<u>470</u>
Non-Operating Revenues:			
Interest on Investments	-	5,948	-
Total Non-Operating Revenues	<u>9,500</u>	<u>5,948</u>	<u>(3,552)</u>
Total Revenues	<u>\$ 114,025</u>	<u>\$ 110,943</u>	<u>\$ (3,082)</u>

TOWN OF SEVERN, NORTH CAROLINA  
WATER & SEWER FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Water & Waste Treatment & Distribution:			
Utilities & Lab Fees	\$ -	\$ 13,864	\$ -
Salaries	-	15,000	-
Supplies & Repairs	-	10,776	-
Certifications & Education	-	2,502	-
Truck Expense	-	500	-
Insurance	-	4,500	-
Postage & Printing	-	966	-
Solid Waste	-	1675	-
Other Expenses	-	10	-
Total	<u>78,025</u>	<u>49,793</u>	<u>28,232</u>
Budgetary Appropriations:			
Capital Outlay	<u>36,000</u>	<u>34,851</u>	<u>1,149</u>
Total	<u>36,000</u>	<u>34,851</u>	<u>1,149</u>
Total Expenditures	<u>114,025</u>	<u>84,644</u>	<u>29,381</u>
Revenues over (under) expenditures	-	26,299	26,299
Other financing sources (uses):			
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 26,299</u>	<u>\$ 26,299</u>
Revenues Over (Under) Expenditures			
Budgetary Appropriations (Above):			
Depreciation		(45,874)	
Capital outlay		<u>34,851</u>	
Total		<u>(11,023)</u>	
Net Income (Loss) Before Operating Transfers		<u>\$ 15,276</u>	



## **OTHER SCHEDULES**

**TOWN OF SEVERN, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections &amp; Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 225,173	\$ 221,908	\$ 3,265
2018-2019	2,324	-	1,334	990
2017-2018	1,882	-	1,280	602
2016-2017	1,227	-	649	578
2015-2016	1,103	-	311	792
2014-2015	633	-	275	358
2013-2014	564	-	176	388
2012-2013	441	105	142	404
2011-2012	293	95	25	363
2010-2011	248	21	3	266
2009-2010	<u>895</u>	<u>-</u>	<u>895</u>	<u>-</u>
TOTALS	<u>\$ 9,610</u>	<u>\$ 225,394</u>	<u>\$ 226,998</u>	8,006
Less: Allowance for Uncollected Ad Valorem Taxes Receivable				<u>(400)</u>
AD VALOREM TAXES RECEIVABLE				<u>\$ 7,606</u>
Reconcilement with revenues:				
Taxes - Ad Valorem - General Fund				\$ 227,892
Amount Written Off for Tax Year 2006-2007 Per Statute of Limitations				895
Less: Interest, Penalties & Advertising				<u>(1,789)</u>
Total Collections & Credits				<u>\$ 226,998</u>

**TOWN OF SEVERN, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**June 30, 2020**

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Tax Levy - Township					
Property Taxed	\$ 60,908,000	0.35%	\$ 213,178	\$ 213,178	\$ -
Motor Vehicles Taxed	3,427,428	0.35%	11,996		11,996
	<u>64,335,428</u>		<u>225,174</u>	<u>213,178</u>	<u>11,996</u>
Less: Uncollected Taxes at June 30, 2020			<u>(3,265)</u>	<u>(3,265)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 221,909</u>	<u>\$ 209,913</u>	<u>\$ 11,996</u>
Percent Current Year Collected			<u>98.55%</u>	<u>98.47%</u>	<u>100.00%</u>