

**TOWN OF TRYON,
NORTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

TOWN OF TRYON, NORTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS AND TOWN STAFF
YEAR ENDED JUNE 30, 2020

Established

1885

TOWN COUNCIL

Mayor – Alan Peoples

Mayor Pro-Tem – Chrelle Booker

Crys Armbrust

Bill Crowell

Bill Ingham

TOWN STAFF

Town Manager – Zach Ollis

Town Clerk – Susan Bell

Planning Director – Tim Daniels

TDDA Executive Director – Paige Henderson

Public Works Director – Jody Morse

Chief of Police – Jeff Arrowood

Fire Chief – Josh Walton

TOWN OF TRYON, NORTH CAROLINA

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Tryon Board of Alcoholic Control ("ABC Board") were not audited in accordance with *Government Auditing Standards*.

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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Tryon, 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, the Fire Department Fund, and the Harmon Field Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustments

As discussed in Note IV.H in the notes to the financial statements, in the year ended June 30, 2020 the Town discovered several errors relating to the reporting of its utility receivable balances that impacted its enterprise funds and government-wide financial statements as of June 30, 2019. As a result, the beginning net position has been restated in the current year financial statements to correct these errors. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the pension plan schedules, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information is the responsibility of management and was 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Greene Finney, LLP
Mauldin, South Carolina
May 19, 2021

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

As management of the Town of Tryon (“Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2020 (“2020” or “FY 2020”) compared to the year ended June 30, 2019 (“2019” or “FY 2019”). The intent of this management’s discussion and analysis (“MD&A”) is to look at the Town’s financial performance as a whole, with an emphasis on the Primary Government (which excludes the Town’s discretely presented component units – the Town of Tryon ABC Board (“ABC Board”) and the Town of Tryon Tourism Development Authority (“Authority”). We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and the notes to the financial statements to enhance their understanding of the Town’s overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$7,849,000 (total net position for the Primary Government).
- The Town’s total net position for FY 2020 decreased by approximately \$155,000 over the prior year balance due to a decrease in the net position of the business-type activities of approximately \$341,000, partially offset by an increase in the net position of the governmental activities of approximately \$186,000.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of approximately \$2,132,000, an increase of approximately \$211,000 or 11% from the prior year. The increase is primarily due to a decrease in capital outlay expenditures of approximately \$198,000.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately \$1,280,000. The unassigned fund balance for the General Fund is approximately \$1,280,000 which is 75% of total General Fund actual expenditures for the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

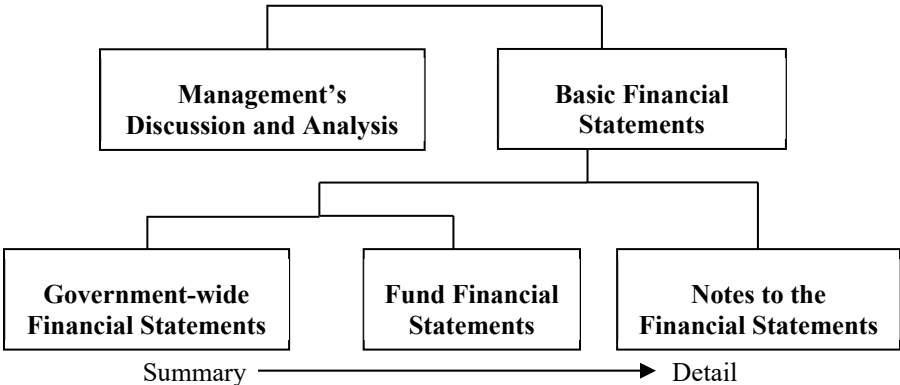
The Town’s annual financial statements consist of two parts – the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information) and the Compliance Section.

Financial Statements

This MD&A is intended to serve as an introduction to the Town’s financial statements. The Town’s 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 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.

Required Components of Annual Financial Report

Figure 1



The first two statements 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.

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

The next set of statements 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 four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary 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, **required supplementary information** and **supplementary information** are provided to show details about the Town's retirement plans, and individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities program revenues and general revenues finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and sanitation activities offered by the Town. The final category is the component units. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the ABC Board by appointing its members. The ABC Board is required by North Carolina General Statute 18B to distribute its surpluses to the General Fund and Harmon Field Fund of the Town. Although legally separate from the Town, the Authority is important to the Town because the Town exercises control over the Authority's Board by appointing its members. The Authority's Board is required by North Carolina law to govern the use of the Town's Occupancy Tax Revenue.

Fund Financial Statements

The fund financial statements 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the general statutes or the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. 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 an integral part of the fund financial statements.

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

The Town adopts annual budgets for its General Fund, Fire Department Fund, and Harmon Field Fund, as required by the general statutes. Each budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town and the decisions of the Council 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 statements provided demonstrate how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budgets were adopted. The budgetary comparison statements use the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The statements show four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. If there are any differences between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities would be shown at the end of the budgetary statements.

Proprietary Funds – The Town utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Town uses enterprise funds to account for its water and sewer and its sanitation operations. These funds are the same as those functions shown in the business-type activities in the *Statement of Net Position and the Statement of Activities*.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Furthermore, fiduciary funds are properly used only for resources over which the government maintains some meaningful degree of ongoing responsibility. The accounting used for fiduciary funds is much like that used for proprietary funds.

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. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and non-major funds in the aggregate (if applicable). The *Notes to the Financial Statements* can be found as listed in the table of contents of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information ("RSI") is mandated by the Governmental Accounting Standards Board and can be found as listed in the table of contents of this report. Supplementary information is presented immediately following the required supplementary information and can be found as listed in the table of contents.

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.

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019 *	2020	2019 *	2020
Assets:						
Current and Other Assets	\$ 2,182,708	2,278,436	939,177	628,801	3,121,885	\$ 2,907,237
Capital Assets	2,990,763	2,890,460	6,088,266	5,902,433	9,079,029	8,792,893
Total Assets	5,173,471	5,168,896	7,027,443	6,531,234	12,200,914	11,700,130
Deferred Outflows of Resources	235,303	233,076	138,647	140,635	373,950	373,711
Liabilities:						
Long-Term Liabilities	970,146	824,226	3,055,494	2,924,030	4,025,640	3,748,256
Other Liabilities	198,461	82,480	230,684	217,528	429,145	300,008
Total Liabilities	1,168,607	906,706	3,286,178	3,141,558	4,454,785	4,048,264
Deferred Inflows of Resources	99,698	168,763	16,390	8,167	116,088	176,930
Net Position:						
Net Investment in Capital Assets	2,670,311	2,669,236	3,225,045	3,258,156	5,895,356	5,927,392
Restricted	414,073	883,318	-	-	414,073	883,318
Unrestricted	1,056,085	773,949	638,477	263,988	1,694,562	1,037,937
Total Net Position	\$ 4,140,469	4,326,503	3,863,522	3,522,144	8,003,991	\$ 7,848,647

* Certain amounts have been restated due to prior period adjustments - see Note IV.H for more details.

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows by approximately \$7,849,000 as of June 30, 2020. The Town's net position decreased by approximately \$155,000 for the fiscal year ended June 30, 2020 due to a decrease in the net position of the business-type activities of approximately \$341,000, partially offset by an increase in the net position of the governmental activities of approximately \$186,000.

The largest portion of net position of approximately \$5,927,000 (76%) reflects the Town's investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, and vehicles); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town's net position of approximately \$883,000 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Town's total net position of approximately \$1,038,000 (13%) is unrestricted.

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Town's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020 *	2019	2020 *
Revenues:						
Program Revenues:						
Charges for Services	\$ 47,877	83,872	1,749,887	1,786,785	1,797,764	\$ 1,870,657
Operating Grants & Contributions	210,615	102,180	-	-	210,615	102,180
Capital Grants and Contributions	-	2,100	-	-	-	2,100
General Revenues:						
Property Taxes	1,613,037	1,798,992	-	-	1,613,037	1,798,992
Other Taxes and Fees	395,626	533,119	1,239	1,360	396,865	534,479
Unrestricted Grants/Contributions	279,857	-	-	-	279,857	-
Other Revenue	39,682	57,412	6,347	2,343	46,029	59,755
Total Revenues	2,586,694	2,577,675	1,757,473	1,790,488	4,344,167	4,368,163
Expenses:						
General Government	567,876	588,960	-	-	567,876	588,960
Public Safety	910,081	1,123,850	-	-	910,081	1,123,850
Transportation	465,145	388,920	-	-	465,145	388,920
Economic Development	32,795	15,110	-	-	32,795	15,110
Culture and Recreational	216,496	258,439	-	-	216,496	258,439
Interest on Long-Term Obligations	6,579	6,362	-	-	6,579	6,362
Water and Sewer Fund	-	-	1,701,398	1,851,277	1,701,398	1,851,277
Sanitation Fund	-	-	251,675	290,589	251,675	290,589
Total Expenses	2,198,972	2,381,641	1,953,073	2,141,866	4,152,045	4,523,507
Change in Net Position Before Transfers	387,722	196,034	(195,600)	(351,378)	192,122	(155,344)
Transfers	-	(10,000)	-	10,000	-	-
Change in Net Position	387,722	186,034	(195,600)	(341,378)	192,122	(155,344)
Net Position, Beginning of Year, as Previously Reported	3,752,747	4,140,469	3,916,234	3,720,634	7,668,981	7,861,103
Prior Period Adjustments *	-	-	-	142,888	-	142,888
Net Position, Beginning of Year, Restated	3,752,747	4,140,469	3,916,234	3,863,522	7,668,981	8,003,991
Net Position, End of Year	\$ 4,140,469	4,326,503	3,720,634	3,522,144	7,861,103	\$ 7,848,647

*Certain amounts have been restated due to prior period adjustments - see Note IV.H for more details.

Governmental Activities: Governmental activities increased the Town's net position by approximately \$186,000 over the prior year. The key element of this increase is due to revenues exceeding expenses. A detailed explanation for the General Fund expenditures exceeding revenues is provided under the Governmental Funds in the Financial Analysis of the Town's Funds section below.

Business-type Activities: Business-type activities decreased the Town's net position by approximately \$341,000 mostly due to expenses exceeding revenues.

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, 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. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$1,280,000 with a total fund balance of approximately \$1,714,000, an increase of approximately \$52,000 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at approximately \$162,000 for FY 2020. 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 for the General Fund as of June 30, 2020 represents 75% percent of total General Fund actual expenditures for the current fiscal year.

At June 30, 2020, the governmental funds of the Town reported a combined total governmental fund balance of approximately \$2,132,000, a 11% increase over last year.

The General Fund recorded revenues of approximately \$1,741,000 during FY 2020, which was an increase of approximately \$29,000, or 2% over the approximately \$1,712,000 recorded in FY 2019, primarily due to the following:

- Investment earnings increased over the prior fiscal year by approximately \$27,000 as this was the first full year that the Town had their sweep investment account in operation.

Expenditures in the General Fund were approximately \$1,710,000 for 2020, which was a decrease of approximately \$6,000, or <1% over the approximately \$1,716,000 recorded in 2019.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. In general, 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. The Town's budget amendments in FY 2020 were primarily (a) for the purchase of new accounting software and (b) to accept a donation to install a handicap swing at Harmon Field and to accept a donation for the carving of the Toy Soldier in the downtown.

Several factors contributed to the General Fund actual revenues of approximately \$1,741,000 exceeding the budgeted revenues by approximately \$70,000 or 4%. These include:

- Unrestricted intergovernmental revenues were approximately \$174,000 higher than the amount budgeted due to continued strength in local option sales taxes collected by the State.
- Miscellaneous revenues were approximately \$175,000 lower than budget. This was due to the Town's budget reflecting administrative services/overhead provided to other funds as revenue and not as interfund reimbursements.
- Investment earnings were approximately \$44,000 higher than the amount budgeted. The Town does not budget for these revenues since the market can fluctuate so much year to year.
- Property tax collections were approximately \$11,000 (1%) higher than the amount budgeted.
- Sales and services were approximately \$14,000 (69%) higher than the amount budgeted due to conservative budgeting.

The Fire Department Fund's, a major fund, fund balance increased \$112,000 to approximately \$390,000 at June 30, 2020. This increase is primarily due to revenues exceeding expenditures for the current year.

Fire Department Fund revenues decreased approximately \$5,000 or 1% compared to the prior year. Fire Department expenditures increased approximately \$50,000 or 14% compared to the prior year primarily due to an increase in public safety salary and benefits expenditures.

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The Harmon Field Fund's, a major fund, fund balance increased \$37,000 to approximately \$28,000 at June 30, 2020. This increase is due revenues exceeding expenditures for the current year.

Harmon Field Fund revenues decreased approximately \$20,000 or 7% compared to the prior year due to a decrease in miscellaneous revenues of approximately \$97,000 (less contributions), partially offset by an increase in ad valorem tax revenue of approximately \$52,000 (tax rate increased from .0334 in 2019 to 0.450 in 2020) and an increase in sales and services of approximately \$25,000. Harmon Field Fund expenditures decreased approximately \$150,000 or 39% compared to prior year primarily due to a decrease in capital outlay expenditures of approximately \$193,000 (as there was a significant Harmon Field improvement project in the prior year), partially offset by an increase in operating expenditures of \$35,000.

Proprietary Funds

The Town's proprietary fund statements provide additional detail by fund for the information combined in the government-wide statements.

Water and Sewer Fund

The Water and Sewer Fund (modified accrual) recorded approximately \$1,559,000 in operating revenues for FY 2020. This was an increase of approximately \$48,000 or 3% increase over FY 2019, primarily due to the following:

- Charges for services was approximately \$1,542,000 for 2020, which was 3% higher than the previous year. Charges for services increased approximately \$38,000 or 3% over 2019.
- Water and sewer new tap charges increased by approximately \$10,000.

The Water and Sewer Fund (modified accrual) recorded approximately \$1,875,000 in expenditures for FY 2020. This was approximately \$170,000 and 10% higher than FY 2019.

- The primary reasons for the increase in expenditures during FY 2020 was due to higher salaries and benefits of approximately \$150,000.

Net position of the Water and Sewer Fund at the end of 2020 totaled approximately \$3,631,000 which was a decrease of approximately \$290,000 over the prior year.

Sanitation Fund

The Sanitation Fund (modified accrual) total net position decreased by approximately \$52,000 for FY 2020 due to expenditures exceeding revenues.

- Operating revenues were approximately \$227,000 and 5% lower for 2020 than the previous year.
- Expenditures in the Sanitation Fund of approximately \$268,000 decreased by approximately \$121,000 or 31% from the prior year due to the purchase of a sanitation truck for approximately \$139,000 in the prior year.

The Sanitation Fund received a transfer in of \$10,000 from the General Fund to help support the ongoing operations of the fund.

TOWN OF TRYON, NORTH CAROLINA**MANAGEMENT'S DISCUSSION AND ANALYSIS****YEAR ENDED JUNE 30, 2020****CAPITAL ASSET AND DEBT ADMINISTRATION****Capital Assets**

The Town's had approximately \$8,793,000 and \$9,079,000 in net capital assets at the close of 2020 and 2019, respectively, as detailed in figure 4 below:

Town's Net Capital Assets**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 850,276	850,276	544	544	850,820	\$ 850,820
Buildings	738,029	720,270	105,011	105,011	843,040	825,281
Other Improvements	1,069,742	1,418,114	-	-	1,069,742	1,418,114
Machinery and Equipment	1,715,570	1,742,036	1,523,413	1,546,808	3,238,983	3,288,844
Plant Distribution System	-	-	13,930,117	13,997,408	13,930,117	13,997,408
Vehicles	1,968,543	1,976,452	438,118	278,126	2,406,661	2,254,578
Construction in Progress	261,204	-	-	-	261,204	-
Accumulated Depreciation	(3,612,601)	(3,816,688)	(9,908,937)	(10,025,464)	(13,521,538)	(13,842,152)
Total	<u>\$ 2,990,763</u>	<u>2,890,460</u>	<u>6,088,266</u>	<u>5,902,433</u>	<u>9,079,029</u>	<u>\$ 8,792,893</u>

The total decrease in the Town's capital assets for 2020 was approximately \$286,000 and consisted of the following:

- Capital asset additions of approximately \$285,000 which consisted of:
 - Completion of the Harmon Field project for approximately \$10,000
 - Paving roads for approximately \$147,000
 - Water and Sewer Plant Upgrades of approximately \$67,000
 - Acquisition of a vehicle of approximately \$11,000
 - Acquisition of equipment of approximately \$50,000
- Depreciation expense of approximately \$481,000
- Disposals and other decreases of approximately \$90,000

Additional information on the Town's capital assets can be found in Note III.D in the Notes to the Financial Statements

TOWN OF TRYON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

As of June 30, 2020 and 2019, the Town had total debt outstanding of \$2,866,000 and \$3,184,000, respectively. Figure 5 shows long-term debt balances at the end of 2020 and 2019:

Town's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revolving Fund Loans	\$ -	-	2,649,920	2,457,284	2,649,920	\$ 2,457,284
Installment Purchase Contracts	320,452	221,224	213,301	186,993	533,753	408,217
Total	<u>\$ 320,452</u>	<u>221,224</u>	<u>2,863,221</u>	<u>2,644,277</u>	<u>3,183,673</u>	<u>\$ 2,865,501</u>

The net decrease in the Town's long-term debt was approximately \$318,000 and was due to regularly scheduled principal payments.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The Town does not have any general obligation debt.

The Town has other long-term obligations outstanding at year end which consisted of the compensated absences liability and the net pension liability. Additional information regarding the Town's long-term obligations can be found in Note III.E and Note IV.B in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, workforce and customers/constituents.

Based on overall economic forecasts for North Carolina and the impacts of the COVID health pandemic, the Town expects to see a very challenging environment for the year ended June 30, 2021 ("FY 2021").

Budget Highlights for FY 2021

The FY 2021 operating budget totals approximately \$4,146,000 for the Town's budgeted operating funds. This is approximately \$89,000 or 2%, lower than the approximately \$4,235,000 original FY 2020 budget.

ADDITIONAL INFORMATION

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Additional information may be found at the Town website: <https://tryon-nc.com>.

Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager manager@tryonnc.gov, 301 North Trade Street, Tryon, N.C. 28782.

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BASIC FINANCIAL STATEMENTS

TOWN OF TRYON, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	Governmental Activities	Business- Type Activities	Totals	ABC Board	Tourism Development Authority
ASSETS					
Cash and Cash Equivalents	\$ 1,419,406	264,134	1,683,540	44,132	\$ 45,536
Cash and Cash Equivalents, Restricted	426,220	130,973	557,193	-	-
Investments, Restricted	10,220	-	10,220	-	-
Receivables, Net:					
Property Taxes	68,110	-	68,110	-	-
Accounts	108	337,727	337,835	-	2,394
Intergovernmental Receivables	176,189	-	176,189	-	-
Due From Component Unit	14,975	-	14,975	-	-
Prepays and Inventories	21,160	38,015	59,175	75,456	-
Security Deposits	-	-	-	1,200	-
Internal Balances	142,048	(142,048)	-	-	-
Capital Assets:					
Non-Depreciable	850,276	544	850,820	-	-
Depreciable, Net	2,040,184	5,901,889	7,942,073	6,590	-
TOTAL ASSETS	5,168,896	6,531,234	11,700,130	127,378	47,930
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Pension Charges	233,076	140,635	373,711	-	-
LIABILITIES					
Accounts Payable	33,356	16,359	49,715	12,903	71
Accrued Interest Payable	4,021	12,113	16,134	-	-
Accrued Salaries and Benefits	45,103	18,425	63,528	-	-
Customer Deposits	-	133,072	133,072	-	-
Intergovernmental Payables	-	37,559	37,559	-	-
Due to Primary Government	-	-	-	6,000	8,975
Due to Other Governments	-	-	-	3,049	-
Non-Current Liabilities:					
Due Within One Year	128,556	261,141	389,697	-	-
Due in More Than One Year	695,670	2,662,889	3,358,559	-	-
TOTAL LIABILITIES	906,706	3,141,558	4,048,264	21,952	9,046
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Credits	168,763	8,167	176,930	-	-
NET POSITION					
Net Investment in Capital Assets	2,669,236	3,258,156	5,927,392	6,590	-
Restricted For:					
Stabilization by State Statute	440,583	-	440,583	-	-
Public Safety	408,072	-	408,072	-	-
Cultural and Recreational	34,663	-	34,663	-	-
Tourism Related Costs	-	-	-	-	38,884
Working Capital	-	-	-	13,858	-
Unrestricted	773,949	263,988	1,037,937	84,978	-
TOTAL NET POSITION	\$ 4,326,503	3,522,144	7,848,647	105,426	\$ 38,884

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION				
	Expenses	Charges for Services	Operating Grants and	Capital Contributions	Primary Government			Component Units	
					Governmental	Business-Type	Total	ABC Board	Tourism Development Authority
PRIMARY GOVERNMENT:					Activities	Activities			
Governmental Activities:									
General Government	\$ 588,960	20,974	22,043	-	(545,943)	-	\$ (545,943)		
Public Safety	1,123,850	3,732	7,867	-	(1,112,251)	-	(1,112,251)		
Transportation	388,920	-	67,545	-	(321,375)	-	(321,375)		
Economic Development	15,110	9,000	-	-	(6,110)	-	(6,110)		
Culture and Recreational	258,439	50,166	4,725	2,100	(201,448)	-	(201,448)		
Interest on Long-Term Obligations	6,362	-	-	-	(6,362)	-	(6,362)		
Total Governmental Activities	2,381,641	83,872	102,180	2,100	(2,193,489)	-	(2,193,489)		
Business-Type Activities:									
Water and Sewer	1,848,071	1,559,364	-	-	-	(288,707)	(288,707)		
Sanitation	290,589	227,421	-	-	-	(63,168)	(63,168)		
Total Business-Type Activities	2,138,660	1,786,785	-	-	-	(351,875)	(351,875)		
TOTAL - PRIMARY GOVERNMENT	\$ 4,520,301	1,870,657	102,180	2,100	(2,193,489)	(351,875)	(2,545,364)		
COMPONENT UNITS:									
ABC Board	\$ 467,600	470,340	-	-	-	-	-	2,740	\$ -
Tourism Development Authority	24,542	19,947	-	-	-	-	-	-	(4,595)
TOTAL - COMPONENT UNITS	\$ 492,142	490,287	-	-	-	-	-	2,740	(4,595)
General Revenues and Transfers:									
General Revenues:									
Taxes:									
Property Taxes					1,798,992	-	1,798,992	-	-
Sales Taxes					391,406	-	391,406	-	-
Franchise Taxes					141,713	-	141,713	-	-
Other Taxes					-	1,360	1,360	-	-
Investment Income					44,323	1,924	46,247	-	317
Miscellaneous					13,089	(2,787)	10,302	-	-
Transfers In (Out)					(10,000)	10,000	-	-	-
Total General Revenues and Transfers					2,379,523	10,497	2,390,020	-	317
CHANGE IN NET POSITION					186,034	(341,378)	(155,344)	2,740	(4,278)
NET POSITION, Beginning of Year, as Previously Reported					4,140,469	3,720,634	7,861,103	102,686	43,162
Prior Period Adjustments					-	142,888	142,888	-	-
NET POSITION, Beginning of Year, Restated					4,140,469	3,863,522	8,003,991	102,686	43,162
NET POSITION, End of Year					4,326,503	3,522,144	\$ 7,848,647	105,426	\$ 38,884

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	GENERAL FUND	FIRE DEPARTMENT FUND	HARMON FIELD FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,419,406	-	-	\$ 1,419,406
Cash and Cash Equivalents, Restricted	7,328	382,035	36,857	426,220
Investments, Restricted	-	10,220	-	10,220
Receivables, Net:				
Taxes	25,627	35,487	6,996	68,110
Accounts	108	-	-	108
Due From Other Governments	158,689	17,500	-	176,189
Due From Component Units	14,975	-	-	14,975
Due From Other Funds	249,311	-	-	249,311
Prepaid Items	11,525	8,524	1,111	21,160
TOTAL ASSETS	\$ 1,886,969	453,766	44,964	\$ 2,385,699
LIABILITIES				
Accounts Payable	\$ 15,345	16,068	1,943	\$ 33,356
Accrued Liabilities	39,472	2,796	2,835	45,103
Due To Other Funds	92,410	9,330	5,523	107,263
TOTAL LIABILITIES	147,227	28,194	10,301	185,722
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	25,627	35,487	6,996	68,110
FUND BALANCES				
Nonspendable:				
Prepaid Items	11,525	8,524	1,111	21,160
Restricted For:				
Stabilization by State Statute	423,083	17,500	-	440,583
Public Safety	-	364,061	-	364,061
Culture and Recreation	-	-	26,556	26,556
Unassigned	1,279,507	-	-	1,279,507
TOTAL FUND BALANCES	1,714,115	390,085	27,667	2,131,867
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,886,969	453,766	44,964	\$ 2,385,699

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,131,867**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$6,707,148 and the accumulated depreciation was \$3,816,688.	2,890,460
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	68,110
Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds.	(4,021)
The Town's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position.	202,085
The Town's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.	(137,772)
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Long-Term Debt	(221,224)
Compensated Absences	(79,377)
Net Pension Liability - LGERS Pension Plan	(315,403)
Total Pension Liability - LEOSSA	<u>(208,222)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 4,326,503**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	FIRE DEPARTMENT FUND	HARMON FIELD FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Ad Valorem Taxes	\$ 887,632	552,552	212,871	\$ 1,653,055
Unrestricted Intergovernmental Revenue	679,439	-	-	679,439
Restricted Intergovernmental Revenue	67,545	-	-	67,545
Sales and Services	33,705	-	50,165	83,870
Investment Earnings	43,980	32	312	44,324
Miscellaneous	29,167	7,867	4,500	41,534
TOTAL REVENUES	1,741,468	560,451	267,848	2,569,767
EXPENDITURES				
Current:				
General Government	547,138	-	-	547,138
Public Safety	593,299	357,905	-	951,204
Transportation	321,310	-	-	321,310
Economic Development	15,110	-	-	15,110
Culture and Recreation	6,377	-	221,656	228,033
Capital Outlay	167,441	10,815	9,325	187,581
Debt Service:				
Principal Retirement	55,792	43,436	-	99,228
Interest and Other Charges	3,635	4,267	-	7,902
TOTAL EXPENDITURES	1,710,102	416,423	230,981	2,357,506
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,366	144,028	36,867	212,261
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	8,290	-	-	8,290
Transfers In	32,000	-	-	32,000
Transfers Out	(10,000)	(32,000)	-	(42,000)
TOTAL OTHER FINANCING SOURCES (USES)	30,290	(32,000)	-	(1,710)
NET CHANGES IN FUND BALANCES	61,656	112,028	36,867	210,551
FUND BALANCE, Beginning of Year	1,652,459	278,057	(9,200)	1,921,316
FUND BALANCES, End of Year	\$ 1,714,115	390,085	27,667	\$ 2,131,867

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 210,551**

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

Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	(381)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	99,228
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	1,540
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(35,627)
Changes in the Town's LEOSA net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	32,558
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 the governmental funds.	(21,532)
In the Statement of Activities adjustments or the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets adjusted/sold.	(90,447)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$204,087 exceeded capital asset additions of \$194,231 in the current period.	(9,856)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 186,034**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

BUDGETARY COMPARISON STATEMENT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Ad Valorem Taxes	\$ 877,000	877,000	887,632	\$ 10,632
Unrestricted Intergovernmental Revenue	505,000	505,000	679,439	174,439
Restricted Intergovernmental Revenue	65,000	65,000	67,545	2,545
Sales And Services	20,000	20,000	33,705	13,705
Investment Earnings	-	-	43,980	43,980
Miscellaneous Revenues	202,086	204,386	29,167	(175,219)
TOTAL REVENUES	1,669,086	1,671,386	1,741,468	70,082
EXPENDITURES				
Current:				
General Government	614,793	652,093	564,429	87,664
Public Safety	649,368	649,368	593,299	56,069
Economic Development	16,000	16,000	15,110	890
Transportation	363,951	480,846	471,460	9,386
Culture and Recreation	4,400	4,400	6,377	(1,977)
Debt Service:				
Principal	49,682	49,682	55,792	(6,110)
Interest and Bank Fees	2,892	2,892	3,635	(743)
TOTAL EXPENDITURES	1,701,086	1,855,281	1,710,102	145,179
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,000)	(183,895)	31,366	215,261
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	8,290	8,290
Transfers In	32,000	32,000	32,000	-
Transfers Out	-	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	32,000	22,000	30,290	8,290
Fund Balance Appropriated	-	161,895	-	(161,895)
NET CHANGE IN FUND BALANCES	\$ -	-	61,656	\$ 61,656
FUND BALANCES, Beginning of Year			1,652,459	
FUND BALANCES, End of Year			\$ 1,714,115	

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

BUDGETARY COMPARISON STATEMENT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL - FIRE DEPARTMENT FUND**

YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Ad Valorem Taxes	\$ 492,529	492,529	552,552	\$ 60,023
Investment Earnings	-	-	32	32
Miscellaneous Revenues	-	-	7,867	7,867
TOTAL REVENUES	492,529	492,529	560,451	67,922
EXPENDITURES				
Current:				
Public Safety	373,300	373,300	368,720	4,580
Debt Service:				
Principal	47,703	47,703	43,436	4,267
Interest and Bank Fees	-	-	4,267	(4,267)
TOTAL EXPENDITURES	421,003	421,003	416,423	4,580
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	71,526	71,526	144,028	72,502
OTHER FINANCING SOURCES (USES)				
Transfers Out	(32,000)	(32,000)	(32,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(32,000)	(32,000)	(32,000)	-
Fund Balance Appropriated	(39,526)	(39,526)	-	39,526
NET CHANGE IN FUND BALANCES	\$ -	-	112,028	\$ 112,028
FUND BALANCES, Beginning of Year			278,057	
FUND BALANCES, End of Year			\$ 390,085	

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA**BUDGETARY COMPARISON STATEMENT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL - HARMON FIELD FUND****YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 154,500	171,464	212,871	\$ 41,407
Sales and Services	20,500	20,500	50,165	29,665
Investment Earnings	-	-	312	312
Miscellaneous Revenues	-	2,100	4,500	2,400
TOTAL REVENUES	175,000	194,064	267,848	73,784
EXPENDITURES				
Current:				
Culture and Recreation	174,594	193,658	230,981	(37,323)
TOTAL EXPENDITURES	174,594	193,658	230,981	(37,323)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	406	406	36,867	36,461
Fund Balance Appropriated	(406)	(406)	-	406
NET CHANGE IN FUND BALANCES	\$ -	-	36,867	\$ 36,867
FUND BALANCES, Beginning of Year			(9,200)	
FUND BALANCES, End of Year			\$ 27,667	

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2020

	ENTERPRISE FUNDS		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 264,134	-	\$ 264,134
Cash and Cash Equivalents, Restricted	130,973	-	130,973
Receivable, Net			
Accounts Receivable	299,196	38,531	337,727
Due From Other Funds	160,256	-	160,256
Prepaid Items	9,754	1,535	11,289
Inventories	26,726	-	26,726
Total Current Assets	891,039	40,066	931,105
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	544	-	544
Depreciable, Net	5,769,128	132,761	5,901,889
Total Non-Current Assets	5,769,672	132,761	5,902,433
TOTAL ASSETS	6,660,711	172,827	6,833,538
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	115,037	25,598	140,635
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,339	9,020	16,359
Accrued Interest Payable	10,615	1,498	12,113
Accrued Liabilities	12,976	5,449	18,425
Customer Deposits	133,072	-	133,072
Due to Other Governments	36,792	767	37,559
Due To Other Funds	188,174	114,130	302,304
Current Portion of Compensated Absences	38,761	2,646	41,407
Current Portion of Debt	212,713	7,021	219,734
Total Current Liabilities	640,442	140,531	780,973
Non-Current Liabilities:			
Net Pension Liability	169,117	37,632	206,749
Compensated Absences, Less Current Portion	29,578	2,019	31,597
Debt, Less Current Portion	2,299,287	125,256	2,424,543
Total Long-Term Liabilities	2,497,982	164,907	2,662,889
TOTAL LIABILITIES	3,138,424	305,438	3,443,862
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	6,680	1,487	8,167
NET POSITION			
Net Investment in Capital Assets	3,257,672	484	3,258,156
Unrestricted	372,972	(108,984)	263,988
TOTAL NET POSITION	\$ 3,630,644	(108,500)	\$ 3,522,144

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2020

	ENTERPRISE FUNDS		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 1,541,794	224,982	\$ 1,766,776
Water and Sewer Taps	17,570	-	17,570
Other Operating Revenues	-	2,439	2,439
TOTAL OPERATING REVENUES	1,559,364	227,421	1,786,785
OPERATING EXPENSES			
Water and Sewer Distribution	499,313	-	499,313
Waterplant Operations	536,788	-	536,788
Wastewater Plant Operations	266,620	-	266,620
Water Collections	221,689	-	221,689
Sanitation Operations	-	259,575	259,575
Depreciation	253,132	23,387	276,519
TOTAL OPERATING EXPENSES	1,777,542	282,962	2,060,504
OPERATING INCOME (LOSS)	(218,178)	(55,541)	(273,719)
NON-OPERATING REVENUES (EXPENSES)			
Solid Waste Disposal Tax	-	1,360	1,360
Investment Earnings	1,924	-	1,924
Interest and Other Charges	(70,529)	(7,627)	(78,156)
Other	(2,787)	-	(2,787)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(71,392)	(6,267)	(77,659)
INCOME (LOSS) BEFORE TRANSFERS	(289,570)	(61,808)	(351,378)
Transfers In	-	10,000	10,000
CHANGE IN NET POSITION	(289,570)	(51,808)	(341,378)
NET POSITION, Beginning of Year, as Previously Reported	3,778,888	(58,254)	3,720,634
Prior Period Adjustments	141,326	1,562	142,888
NET POSITION, Beginning of Year, Restated	3,920,214	(56,692)	3,863,522
NET POSITION, End of Year	\$ 3,630,644	(108,500)	\$ 3,522,144

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	ENTERPRISE FUNDS		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,487,170	225,924	\$ 1,713,094
Payments to Suppliers for Goods and Services	(312,425)	(88,924)	(401,349)
Payments for Personal Services	(1,158,545)	(171,334)	(1,329,879)
Other Receipts (Payments)	(2,787)	-	(2,787)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	13,413	(34,334)	(20,921)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
State and Federal Grants	-	1,360	1,360
Transfers to Other Funds	8,157	-	8,157
Transfers from Other Funds	-	59,702	59,702
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	8,157	61,062	69,219
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(76,810)	(13,876)	(90,686)
Bond and Revolving Fund Loan Principal Payments	(212,221)	(6,723)	(218,944)
Bond and Revolving Fund Loan Interest Payments	(64,259)	(6,129)	(70,388)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(353,290)	(26,728)	(380,018)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	1,924	-	1,924
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,924	-	1,924
NET INCREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS	(329,796)	-	(329,796)
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	724,903	-	724,903
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	\$ 395,107	-	\$ 395,107
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (218,178)	(55,541)	\$ (273,719)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	253,132	23,387	276,519
Other Nonoperating Revenue	(2,787)	-	(2,787)
Change in Accounts Representing Operating Activities:			
Accounts Receivable	(75,550)	(1,497)	(77,047)
Prepays and Inventory	(200)	(32)	(232)
Accounts Payable	(5,294)	(22,232)	(27,526)
Accrued Salaries and Benefits	-	3,246	3,246
Customer Deposits	3,356	-	3,356
Compensated Absences	21,394	1,769	23,163
Net Pension Liability	54,211	10,106	64,317
Deferred Pension Charges	(16,921)	14,933	(1,988)
Deferred Pension Credits	250	(8,473)	(8,223)
Net Cash Provided by (Used in) Operating Activities	\$ 13,413	(34,334)	\$ (20,921)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF TRYON, NORTH CAROLINA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS**

JUNE 30, 2020

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	\$ 27,248
TOTAL ASSETS	\$ 27,248
LIABILITIES	
Amounts Held in Custody for Others	\$ 27,248
TOTAL LIABILITIES	\$ 27,248

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The Town of Tryon ("Town") was originally incorporated in 1885 and operates under a Council-Manager form of government with an appointed Town Manager. Town Council ("Council") consists of the Mayor and four other members who are elected by qualified voters of the town. The Mayor and Council are vested with the legislative and policymaking powers of the Town. The Council appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has two discretely presented component units.

Discretely Presented Component Unit – Town of Tryon Board of Alcoholic Control Board ("ABC Board")

The members of the ABC Board's governing body are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund and Harmon Field Fund of the Town. The ABC Board, which has a June 30th year end, is presented as a business-type activity in the Town's government-wide financial statements. Complete financial statements of the ABC Board may be obtained from its administrative offices at Town of Tryon Alcoholic Control Board, 354 S Trade St, Suite C, Tryon, NC 28782.

Discretely Presented Component Unit – Town of Tryon Tourism Development Authority ("Authority")

The members of the Authority's governing board ("Board") are appointed by the Town. The Authority's Board is required by North Carolina law to govern the use of the Town's Occupancy Tax Revenue. The Authority, which has a June 30 year-end, is presented as a business-type activity in the Town's government-wide financial statements. No separate financial statements for the Authority have been issued.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary and Fiduciary Funds (agency funds do not have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable (susceptible to accrual) and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town generally recognizes property tax revenues only when received and thus no availability period is used. The Town considers all other revenues to be available if they are generally collected within 90 days after year-end. 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.

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.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year end on behalf of the Town are recognized as revenue when received/collected by the State. Sales taxes are considered a shared revenue for the Town because the tax is levied by Polk County and then remitted to and distributed by the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. Separate financial statements for each fund category are presented – governmental, proprietary, and fiduciary funds are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the Town.

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) (except for those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund.

Fire Department Fund, a major special revenue fund and a budgeted fund, accounts for the operations of the Town's Fire Department. Taxes are levied specifically for the Fire Department.

Harmon Field Fund, a major special revenue fund and a budgeted fund, accounts for the operations of Harmon Field. Taxes are levied specifically for Harmon Field.

Proprietary Fund Types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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 enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds are made up of one fund type: Enterprise Funds.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Enterprise Funds are used to account for operations (a) 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 goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) 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. The Town has the following major Enterprise Funds:

Water and Sewer Fund, a major fund and a budgeted fund, is used to account for the Town's water and sewer operations.

Sanitation Fund, a major fund and a budgeted fund, is used to account for the Town's sanitation and recycling operations.

Fiduciary Fund Types are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds are made up of several fund types but the Town utilizes only one fund type – Agency Funds:

Agency Funds are used to account for assets a government holds on behalf of others. Agency Funds are purely custodial in nature and do not involve the measurement of operating results. The Town maintains agency funds for the following: Rogers Park, an unincorporated association, to address needs and activities of the Park; the Cemetery Project, an unincorporated association, for beautification activities of the Tryon Cemetery; Woodland Park, an unincorporated association, to address needs and activities of the Park; the Greenway Project, an unincorporated association, working for the establishment of a green walkway through the town connecting various parks; St. Luke's Plaza, an agency fund established to account for funds dedicated for improvements at St. Luke's Plaza; and Summer Tracks, an agency fund established to account for funds dedicated to the Summer Tracks program

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

1. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investments and to maximize investment income. The Town, the ABC Board, and the Authority consider all highly liquid investments with a maturity of three months or less (from when initially purchased) to be cash and cash equivalents.

2. Deposits and Investments

All deposits of the Town, the ABC Board, and the Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The Town and the ABC Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town and its discretely presented component units 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, the ABC Board, and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The Town's, ABC Board's, and Authority's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than one year.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. *Receivables and Payables*

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including but not limited to, taxes, intergovernmental revenue, permits and fees, sales and services, water and sewer, sanitation/recycling, and other fees and charges.

4. *Inventories and Prepaid Items*

Inventories of materials and supplies are valued at cost (first-in, first-out) which approximates market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids and inventories of the Town, ABC Board, and Authority are accounted for using the consumption method (expended/expensed when consumed).

5. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. Infrastructure and other improvements consist of the road network (roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems), and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. These assets are reported at estimated historical cost using deflated replacement 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's capital assets are depreciated on the straight-line method using the following estimated useful lives:

Buildings and Improvements	20-30 years
Other Improvements	10-30 years
Plant Distribution System Infrastructure	30-50 years
Vehicles	3-15 years
Equipment and Furniture	3-15 years

The ABC Board's capital assets are depreciated on the straight-line method using the following estimated useful lives:

Equipment	3-10 years
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TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. *Restricted Assets*

In the General Fund, any unspent Powell Bill funds are classified as restricted cash and cash equivalents, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4.

In the Water and Sewer Fund, customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit is collected.

In the special revenue funds, unspent revenues and contributions are restricted for a particular purpose.

7. *Compensated Absences*

The vacation policy of the Town generally provides for the accumulation of up to forty (40) 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 vacation policy of the ABC Board provides for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. Vacation days are earned based on the length of services. Full-time employees do not accumulate sick leave.

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

8. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Accrued Liabilities and Long-Term Obligations (Continued)*

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term obligations that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

9. *Deferred Outflows/Inflows of Resources*

As defined by GASB Concept Statement No. 4 “*Elements of Financial Statements*”, deferred outflows/inflows of resources are the consumption/acquisition of net position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources: The Town reports *deferred pension charges* in the Town’s Statements of Net Position in connection with the Town’s participation in the State’s Local Governmental Employees’ Retirement System (“LGERS”) and Law Enforcement Officers Special Separation Allowance (“LEOSSA”). The *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The Town reports *deferred pension credits* in its Statements of Net Position in connection with the Town’s participation in the State’s LGERS and LEOSSA. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

10. *Fund Balance*

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the Town could consists of:

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.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

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.

Restricted for Cultural and Recreational - portion of fund balance that is restricted by revenue source for certain cultural and recreational expenditures.

Restricted for Public Safety – portion of fund balance that is restricted by revenue sources for use in public safety activities, due to the sources being primarily from federal and state drug forfeitures and controlled substance tax and amounts donated/received by the Town for specific purposes.

Restricted for Transportation – portion of Powell Bill unexpended funds and other fund balances that are restricted by revenue source for street construction and maintenance expenditures (if any).

Committed – is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town Council (highest level of decision-making authority). Council 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 – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council reserves the right to assign fund balance.

Subsequent Year’s Expenditures – portion of fund balance (if any) 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.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town has not formally adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Town Manager currently uses resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town Manager has the authority to deviate from this policy if it is in the best interest of the Town.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the General Fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

12. Pensions

In government-wide and Proprietary Fund financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net/total pension liability for each plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net/total pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

13. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Fair Value (Continued)

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by all funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

15. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent amounts at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

16. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for General Fund, the Fire Department Fund, the Harmon Field Fund, the Water and Sewer Fund, and the Sanitation Fund. All 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. All amendments must be approved by the governing board and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Agency Funds are not required to be budgeted.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Significant Noncompliance with North Carolina General Statutes

During the year, the Town did not always follow its purchasing policy or the State's pre-audit requirements for normal and electronic disbursements. The Town's current policy does not fully note all of the required pre-audit requirements (especially for electronic payments). The Town is in the process of updating its policies and procedures and will work with the NC Local Government Commission and its new accountant to properly address the relevant preaudit requirements.

The Town had investments in equities of approximately \$10,000 as of June 30, 2020 that are not allowable per State law (Article 3 of Chapter 159). The Town will work to liquidate its equity investments as soon as economically and practically possible.

The Harmon Field Fund expenditures exceeded amounts appropriated in the budget by approximately \$37,000. Additional expenditures were recorded in culture and recreation, but corresponding budget amendments were not approved/made. Management and Town Council will more closely review the budgetary reports to ensure compliance in future years.

C. Deficit Net Position of Individual Fund

Due to increased costs of operations, the Sanitation Fund has a deficit net position as of June 30, 2020 of approximately \$108,000. Management is working to develop a plan to eliminate this deficit net position in future years.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Deposits of the Town, the ABC Board, and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Town's, the ABC Board's, or the Authority's agents in these unit's 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, ABC Board, and the Authority, these deposits are considered to be held by the Town's, ABC Board's, and Authority'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 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, the ABC Board, the Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, ABC Board, and Authority under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, ABC Board, and Authority have no formal policy regarding custodial credit risk for deposits but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Deposits (Continued)

At June 30, 2020, the Town's deposits had a carrying amount of approximately \$2,008,000 and a bank balance of approximately \$2,072,000. None of the Town's bank balances were exposed to custodial credit risk.

At June 30, 2020, the ABC Board's deposits had a carrying amount of approximately \$44,000 and a bank balance of approximately \$61,000. All of the bank balances were covered by federal depository insurance.

At June 30, 2020, the Authority's deposits had a carrying amount and bank balance of approximately \$46,000. All of the bank balances were covered by federal depository insurance.

Investments

As of June 30, 2020, the Town had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturities in Years	
				< 1 yr	1 - 3 yrs
Equities	N/A	N/A	\$ 10,220	N/A	\$ N/A
NCCMT - Government Portfolio	Level 1	AAAm/Aaa-mf	260,355	260,355	-
Total			\$ 270,575	260,355	\$ -

[^] If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

⁽¹⁾ See Note I.C.13 for details of the City's fair value hierarchy.

NCCMT - North Carolina Capital Management Trust

N/A - Not Applicable.

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments on collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third-party custodial agent for book entry transactions, all of which shall be held in the Town's name.

Interest Rate Risk: The Town has a formal investment policy that prioritizes the goals of investment activities, within compliance of North Carolina General Statutes, in the order of (1) safety, (2) liquidity and (3) return. The Finance Director is the designated investment officer.

Credit Risk: The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

Concentration of Credit Risk: The Town's Council places no limit on the amount that the Town may invest in any one issuer. The Town held a most of its investments in NCCMT – Government Portfolio (96%). The remaining investments (4%) are held in common stock/equities.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and investments for all activities is as follows:

Description	Amount
Carrying Amount of Deposits	\$ 2,007,626
Fair Value of Investments	270,575
Total Deposits and Investments	<u>\$ 2,278,201</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 1,683,540
Cash and Cash Equivalents, Restricted	557,193
Investments	10,220
Statement of Assets and Liabilities - Fiduciary Funds - Agency Funds	
Cash and Cash Equivalents	27,248
Total Cash and Investments	<u>\$ 2,278,201</u>

B. Receivables and Unavailable, Deferred, and Unearned Revenues

Property Taxes

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1st. The Town does not provide for discounts for taxes paid prior to the due date. 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, Fire Department Fund, and Harmon Field Fund, ad valorem tax revenues are reported net of such discounts. The Town's fiscal year 2020 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2019, were levied in July 2019 based on a rate of .5028 (same as prior year), .1060 (same as prior year), and .0450 (.0116 increase from prior year) for the General Fund, Fire Department Fund, and Harmon Field Fund, respectively.

Gross property taxes receivable of approximately \$112,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately \$44,000. All net property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

Effective as of September 1, 2013, 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 (when applicable).

Unavailable, Deferred, and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue).

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

Unavailable, Deferred, and Unearned Revenues (Continued)

As of June 30, 2020, the Town only had the following deferred inflows of resources in its governmental funds:

Description	Fund(d)	Deferred Inflows of Resources Unavailable
Unavailable Revenue - Property Taxes	General Fund	\$ 25,627
Unavailable Revenue - Property Taxes	Fire Department Fund	35,487
Unavailable Revenue - Property Taxes	Harmon Field Fund	6,996
Total		<u>\$ 68,110</u>

C. Interfund Balances and Transfers

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

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 249,311	\$ 92,410
Fire Department Fund	-	9,330
Harmon Field Fund	-	5,523
<u>Major Enterprise Funds:</u>		
Water and Sewer Fund	160,256	188,174
Sanitation Fund	-	114,130
Totals	<u>\$ 409,567</u>	<u>\$ 409,567</u>

The interfund balances result from the time lag between when interfund goods and services are provided or reimbursable expenses occur and when transactions are recorded in the accounting system and payments between funds are made. Also, the Sanitation Fund has a negative balance in the pooled cash account and thus this balance of approximately \$45,000 is included with the other interfund payable in the Sanitation Fund and an interfund receivable in the General Fund. All but the Sanitation Fund payable is expected to be repaid within one year.

For the year ended June 30, 2020, the Town had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 32,000	\$ 10,000
Fire Department Fund	-	32,000
<u>Major Enterprise Funds:</u>		
Sanitation Fund	10,000	-
Totals	<u>\$ 42,000</u>	<u>\$ 42,000</u>

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions related to the Fire Department transferring funds to the General Fund to reimburse it for past transactions (that it did not expect to be repaid) and the General Fund transferring funds to the Sanitation Fund to support the ongoing operations of this fund.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 850,276	-	-	-	\$ 850,276
Construction In Progress	261,204	9,525	-	(270,729)	-
Total Capital Assets, Non-Depreciable	1,111,480	9,525	-	(270,729)	850,276
Capital Assets, Depreciable:					
Buildings	738,029	-	17,759	-	720,270
Other Improvements	1,069,742	147,425	69,782	270,729	1,418,114
Equipment and Furniture	1,715,570	26,466	-	-	1,742,036
Vehicles	1,968,543	10,815	2,906	-	1,976,452
Total Capital Assets, Depreciable	5,491,884	184,706	90,447	270,729	5,856,872
Less: Accumulated Depreciation for:					
Buildings	539,649	23,337	-	-	562,986
Other Improvements	245,599	37,062	-	-	282,661
Equipment and Furniture	1,151,795	68,233	-	-	1,220,028
Vehicles	1,675,558	75,455	-	-	1,751,013
Total Accumulated Depreciation	3,612,601	204,087	-	-	3,816,688
Total Capital Assets, Depreciable, Net	1,879,283	(19,381)	90,447	270,729	2,040,184
Governmental Activities Capital Assets, Net	\$ 2,990,763	(9,856)	90,447	-	\$ 2,890,460

The Town has no significant construction commitments as of June 30, 2020.

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 17,291	\$ 10,641
Public Safety	10,815	96,157
Transportation	150,150	63,233
Culture and Recreational	15,975	34,056
Total - Governmental Activities	\$ 194,231	\$ 204,087

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
<i>Water and Sewer Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 544	-	-	-	\$ 544
Total Capital Assets, Non-Depreciable	544	-	-	-	544
Capital Assets, Depreciable:					
Buildings and Improvements	105,011	-	-	-	105,011
Plant Distribution System Infrastructure	13,930,117	67,291	-	-	13,997,408
Equipment	1,523,413	9,519	-	-	1,532,932
Vehicles	133,085	-	-	-	133,085
Total Capital Assets, Depreciable	15,691,626	76,810	-	-	15,768,436
Less: Accumulated Depreciation for:					
Buildings and Improvements	86,030	1,574	-	-	87,604
Plant Distribution System Infrastructure	8,236,805	213,312	-	-	8,450,117
Equipment	1,315,422	32,438	-	-	1,347,860
Vehicles	107,919	5,808	-	-	113,727
Total Accumulated Depreciation	9,746,176	253,132	-	-	9,999,308
Total Capital Assets, Depreciable, Net	5,945,450	(176,322)	-	-	5,769,128
Water and Sewer Fund Capital Assets, Net	\$ 5,945,994	(176,322)	-	-	\$ 5,769,672
<i>Sanitation Fund</i>					
Capital Assets, Depreciable:					
Vehicles	\$ 305,033	-	159,992	-	\$ 145,041
Equipment	-	13,876	-	-	13,876
Total Capital Assets, Being Depreciated	305,033	13,876	159,992	-	158,917
Less: Accumulated Depreciation for:					
Vehicles	162,761	20,612	159,992	-	23,381
Equipment	-	2,775	-	-	2,775
Total Accumulated Depreciation	162,761	23,387	159,992	-	26,156
Total Capital Assets, Depreciable, Net	142,272	(9,511)	-	-	132,761
Sanitation Fund Capital Assets, Net	142,272	(9,511)	-	-	132,761
Business-Type Activities Capital Assets, Net	\$ 6,088,266	(185,833)	-	-	\$ 5,902,433

The Town has no significant construction commitments as of June 30, 2020.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for business-type activities were charged to programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Water and Sewer	\$ 76,810	\$ 253,132
Sanitation	13,876	23,387
Total - Business-Type Activities	<u>\$ 90,686</u>	<u>\$ 276,519</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
ABC Board (Component Unit)				
Capital Assets, Depreciable:				
Store Equipment	\$ 42,740	7,288	37,410	\$ 12,618
Total Capital Assets, Depreciable	<u>42,740</u>	<u>7,288</u>	<u>37,410</u>	<u>12,618</u>
Less: Accumulated Depreciation for:				
Store Equipment	38,161	2,490	34,623	6,028
Total Accumulated Depreciation	<u>38,161</u>	<u>2,490</u>	<u>34,623</u>	<u>6,028</u>
Total Capital Assets, Depreciable, Net	<u>4,579</u>	<u>4,798</u>	<u>2,787</u>	<u>6,590</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,579</u>	<u>4,798</u>	<u>2,787</u>	<u>\$ 6,590</u>

Capital asset additions and depreciation expense for the ABC Board were as follows:

Capital Asset Additions	Depreciation Expense
<u>\$ 7,288</u>	<u>\$ 2,490</u>

The Tourism Development Authority has no capital assets at June 30, 2020.

E. Long-Term Obligations

The Town issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. These issuances were obtained/issued through direct borrowings or direct placements. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the Town. State Revolving Loans ("SRL") are generally loans from the Clean Water State Revolving Fund and Drinking Water State Revolving Fund for costs associated with water/sewer systems improvements. Debt service payments on SRL are generally payable from the revenues of the water/sewer system and any other monies due to the Town from the State may be withheld by the State and applied to the payment if the Town fails to pay any payment of principal or interest. The Installment Purchase Contracts ("IPC") are generally collateralized by the assets being financed, are not secured by the taxing power of the Town, and are subject to acceleration clauses in an event of default (i.e. nonpayment, etc.).

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Details on the Town's outstanding debt issues (none of which are publicly traded) as of June 30, 2020 are as follows:

	Balance at June 30, 2020
<i>State Revolving Loans</i>	
On July 8, 2009, the Town entered into a revolving loan agreement ("SRL – July 2009") with the North Carolina Water Pollution Control Revolving Fund for the purpose of renovating the Town's water plant. The \$3,579,592 financing arrangement requires annual principal installments of \$169,141 and semi-annual interest payments at 2.48%, maturing May 1, 2033.	\$2,198,829
On May 19, 2010, the Town, along with the Towns of Saluda and Columbus, North Carolina, executed a revolving loan ("SRL – May 2010") with the North Carolina Rural Center for the Tryon/Saluda/Columbus joint waterline. Due to construction delays, the first draw on the loan did not take place until September 9, 2010. The \$1,430,001 financing arrangement which is shared equally by the Town of Tryon, the Town of Saluda, and the Town of Columbus, requires annual principal installments of \$70,488 with interest at 2.5%, maturing May 1, 2031.	258,455
<i>Installment Purchase Contracts</i>	
On July 1, 2008, the Town executed an installment purchase agreement ("IPC – July 2018") with a local bank for \$463,405 to acquire a fire engine and equipment for the fire department. The financing arrangement was modified in April 2014 with a reduced interest rate. The agreement requires annual installments of \$37,445 with interest at 2.50%, maturing on August 1, 2022.	106,733
On June 25, 2015, the Town executed an installment purchase agreement ("IPC – June 2015") with a local bank for \$67,181 to acquire a 2015 Ford Explorer for the fire department and a 2012 Ford Escape for general government. The financing agreement requires annual installments of \$14,186 with interest at 1.75%, maturing August 1, 2020.	13,938
On December 15, 2015, the Town executed an installment purchase agreement ("IPC – December 2015") with a local bank for \$72,770 to acquire a 2015 Ford F-150 for general government and a 2016 Ford F-350 for the water and sewer department. The financing agreement requires annual installments of \$15,351 with interest at 1.75%, maturing January 1, 2021.	15,088
On September 21, 2016, the Town executed an installment purchase agreement ("IPC – September 2016") with a local bank for \$33,925 to acquire a 2017 Ford Explorer for the police department. The financing agreement requires annual installments of \$7,261 with interest at 2.25%, maturing October 1, 2021.	14,011
On November 21, 2016, the Town executed an installment purchase agreement ("IPC – November 2016") with a local bank for \$48,000 to acquire a brush truck for the fire department. The financing agreement requires annual installments of \$10,258 with interest at 2.25%, maturing November 21, 2021.	19,842
On October 23, 2018, the Town executed an installment purchase agreement ("IPC – October 2018") with a local bank for \$75,000 to acquire two 2018 Ford Explorers for the police department. The financing agreement requires annual installments of \$16,325 with interest at 2.89%, maturing January 31, 2024.	\$ 60,842

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

	Balance at June 30, 2020
<i>Installment Purchase Contracts (Continued)</i>	
One January 3, 2019, the Town executed an installment purchase agreement (“IPC-A – January 2019”) with a local bank for \$139,000 to acquire a 2018 Freightliner rear loader refuse truck for the sanitation department. The financing agreement requires annual installments of \$12,881 with interest at 4.43%, maturing March 29, 2034.	\$ 132,277
On January 3, 2019, the Town executed an installment purchase agreement (“IPC-B – January 2019”) with a local bank for \$56,000 to acquire a Caterpillar mini excavator for the water and sewer departments. The financing agreement requires annual installments of \$12,284 with interest at 3.16%, maturing March 29, 2024.	\$ 45,486

Interest paid on the certain debt issued by the Town is exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The Town does not believe it has any arbitrage liability at June 30, 2020.

The Town implemented GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” (“GASB #68”) in 2015. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, net pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the Town’s participation 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 and its related net pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Local Government Employees’ Retirement System” for more details.

The Town implemented GASB Statement No. 73 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*” in 2017. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the Town’s Law Enforcement Officers Special Separation Allowance (“LEOSSA”), a single-employer defined benefit pension plan, which provides retirement benefits to the Town’s qualified sworn law enforcement officers and its total pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Law Enforcement Officers Special Separation Allowance” for more details.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowings/Placements:					
Installment Purchase Contracts:					
IPC - July 2008	\$ 140,573	-	33,840	106,733	\$ 34,729
IPC - May 2015	11,265	-	11,265	-	-
IPC - June 2015	31,771	-	17,833	13,938	13,938
IPC - December 2015	11,608	-	5,750	5,858	5,858
IPC - September 2016	20,797	-	6,786	14,011	6,940
IPC - November 2016	29,438	-	9,596	19,842	9,810
IPC - October 2018	75,000	-	14,158	60,842	14,567
Total Installment Purchase Contracts	320,452	-	99,228	221,224	85,842
Compensated Absences	57,846	52,659	31,128	79,377	42,714
Net Pension Liability - LGERS	286,725	28,678	-	315,403	-
Total Pension Liability - LEOSSA	305,123	-	96,901	208,222	-
Total Governmental Activities	\$ 970,146	81,337	227,257	824,226	\$ 128,556

Resources from the General Fund and Fire Department Fund have generally been used to liquidate the Town's governmental activities long-term debt. The Town's compensated absences and the pension liabilities for governmental activities have typically been liquidated in the fund for which the employee salary is charged.

Presented below is a summary of changes in long-term obligations for the Town's business-type activities for the year ended June 30, 2020:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Direct Borrowings/Placements:					
State Revolving Loans:					
SRL - July 2019	\$ 2,367,970	-	169,141	2,198,829	\$ 169,141
SRL - July 2019	281,950	-	23,495	258,455	23,496
Total State Revolving Loans	2,649,920	-	192,636	2,457,284	192,637
Installment Purchase Contracts:					
IPC - December 2015	18,301	-	9,071	9,230	9,230
IPC-A - January 2019	139,000	-	6,723	132,277	7,021
IPC-B - January 2019	56,000	-	10,514	45,486	10,846
Total Installment Purchase Contracts	213,301	-	26,308	186,993	27,097
Total Direct Borrowings/Placements	2,863,221	-	218,944	2,644,277	219,734
Compensated Absences	49,841	51,432	28,269	73,004	41,407
Net Pension Liability - LGERS	142,432	64,317	-	206,749	-
Total Business-Type Activities	\$ 3,055,494	115,749	247,213	2,924,030	\$ 261,141

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Resources from the Water and Sewer Fund and the Environmental Service Fund have generally been used to liquidate the Town's business-type activities long-term obligations.

Following is a summary of debt service requirements to maturity by year for the Town's governmental and business-type activities as of June 30, 2020:

Year Ended June 30,	Direct Borrowing/Placement Debt		Total
	Installment Purchase Contracts		
	Principal	Interest	
<u>Governmental Activities:</u>			
2021	\$ 85,842	5,595	\$ 91,437
2022	67,708	3,553	71,261
2023	51,808	1,829	53,637
2024	15,866	459	16,325
Totals	\$ 221,224	11,436	\$ 232,660

Year Ended June 30,	Direct Borrowing/Placement Debt				Total
	State Revolving Loans		Installment Purchase Contracts		
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2021	\$ 192,637	60,993	27,097	7,461	\$ 288,188
2022	192,637	56,210	18,521	6,644	274,012
2023	192,637	51,428	19,199	5,965	269,229
2024	192,637	46,647	19,904	5,261	264,449
2025	192,637	41,864	8,350	4,531	247,382
2026-2030	963,185	137,587	47,637	16,766	1,165,175
2031-2034	530,914	25,756	46,285	5,237	608,192
Totals	\$ 2,457,284	420,485	186,993	51,865	\$ 3,116,627

IV. OTHER INFORMATION

A. 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 carries commercial insurance to cover property, general liability, and auto liability coverage of \$1,000,000 per occurrence and workmen's compensation coverage of \$500,000 per accident. 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 is not in a flood plain and does not carry flood insurance.

The ABC Board 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 ABC Board has property, general liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

In accordance with G.S. 159-29, the finance officer of both the Town and the TDA are individually bonded for \$250,000 and the tax collector is individually bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

B. Retirement/Pension Plans

Local Governmental Employees' Retirement System

Plan Description

The Town is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan, administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("LEO") 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.

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.

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

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.07% of compensation for general employees and firefighters, 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 and by employees were approximately \$94,000 and \$145,000 for the year ended June 30, 2020, respectively.

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/Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of approximately \$522,000 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 the June 30, 2019 measurement date, the Town's proportion was 0.01912%, which was an increase of 0.00103% from its proportion of 0.01809% measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of approximately \$234,000. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 89,406	\$ -
Changes in Assumptions	85,102	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,736	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	23,269	20,626
City Contributions Subsequent to the Measurement Date	144,666	-
	<u>\$ 355,179</u>	<u>\$ 20,626</u>

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$145,000 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 94,541
2022	27,872
2023	48,378
2024	19,096
Total	<u>\$ 189,887</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	7.00 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 five year period ending December 31, 2014.

Future ad hoc cost of living adjustments ("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.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 (measurement date) are summarized in the following table:

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

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 Analysis

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,194,258	522,152	\$ (36,504)

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 for the State of North Carolina.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town administers the Law Enforcement Officers Special Separation Allowance (“Separation Allowance” or “LEOSSA”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees Receiving Benefits	1
Active Plan Members	7
Total	<u>8</u>

Summary of Significant Accounting Policies

Basis of Accounting

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

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

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2018 actuarial valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

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

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.26 percent (3.64% for prior measurement date)
Cost of Living Adjustments	N/A

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

The LEOSSA currently uses mortality tables that vary by age and health status (i.e. disabled and healthy). RP-2014 Health Annuitant based rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are then further adjusted for males and females.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to the LEOSSA is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid approximately \$10,000 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of approximately \$208,000. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of approximately \$17,000.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 146,217
Changes of Assumptions and Other Inputs	13,320	10,087
Town Benefit Payments and Plan Administrative Expenses Made Subsequent to the Measurement Date	5,212	-
Total	<u>\$ 18,532</u>	<u>\$ 156,304</u>

Approximately \$5,000 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ (36,999)
2022	(36,999)
2023	(34,339)
2024	(20,268)
2025	(14,379)
Total	<u>\$ (142,984)</u>

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 221,926	208,222	\$ 195,408

Schedule of Changes in Total Pension Liability

Schedule of Changes in Total Pension Liability

Total Pension Liability as of December 31, 2018 Measurement Date	\$ 305,123
Changes for the Year:	
Service Cost at End of Year	8,592
Interest on the Total Pension Liability	10,927
Differences Between Expected and Actual Experience	(111,526)
Changes of Assumptions and Other Inputs	4,972
Benefit Payments	(9,866)
Net Changes	(96,901)
Total Pension Liability as of December 31, 2019 Measurement Date	\$ 208,222

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Total contributions from the Town for the year ended June 30, 2020 were approximately \$18,000.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Other Employment Benefits

Death Benefit Plan

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

D. Contingent Liabilities and Commitments

Litigation

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town's applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2020.

Commitments

In March 2020, the Authority signed a one year agreement with Tracey Daniels Consultant Group for a fee of \$850 a month for the maintenance of the Authority's website and social media presence from March 31, 2020 until March 31, 2021. The total commitment as of June 30, 2020 is approximately \$8,000.

In January 2020, the Town signed a three year agreement with Blue Ridge Hunter Jumper Association to rent out the Equestrian Facilities at Harmon Field for \$2,500 per year (Harmon Field Fund). Rent payments are due to the Town on or before December 15th of each year (for the succeeding year). As of June 30, 2020, the Town was still scheduled to receive two rent payments totaling \$5,000 under this lease.

E. Related Party Transaction

In October 2011, the Town loaned the ABC Board \$10,000 for current cash flow needs with no definitive repayment terms. The ABC Board has repaid \$4,000 on this loan (\$2,000 in fiscal year 2020) to date, leaving an outstanding balance at June 30, 2020 of \$6,000.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

F. Net Investment in Capital Assets

The Governmental Activities Net Investment in Capital Assets was calculated as follows:

Governmental Activities:	
Capital Assets, Net	\$ 2,890,460
Long-Term Debt	(221,224)
Governmental Activities - Net Investment in Capital Assets	<u>\$ 2,669,236</u>

G. Fund Balance

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

Total Fund Balance - General Fund	\$ 1,714,115
Less:	
Prepaid Items	(11,525)
Stabilization by State Statute	(423,083)
Unassigned Fund Balance - General Fund	<u>\$ 1,279,507</u>

The Town has adopted an Available Fund Balance policy for the General Fund to be at a minimum of twenty five percent (25%) of the Town's budgeted expenditures.

H. Prior Period Adjustments

In connection with the Town's review of its account balances, the Town discovered it had understated its utility receivables (understated unrestricted net position) for its enterprise funds/business-type activities for earned but unbilled amounts as of June 30, 2019. The Town has corrected these errors by reflecting prior period adjustments of approximately \$141,000 and \$2,000 for its Water and Sewer Fund and Sanitation Fund, respectively. These adjustments increased unrestricted net position for these funds in total by approximately \$143,000.

I. COVID-19 Health Pandemic

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, and in March 2020, classified the outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the outbreak continues to evolve as of the date of these financial statements. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, workforce and citizens.

As local and federal governments recommended or mandated restrictions on business and travel in an effort to curb the pandemic by changing consumer behavior, the Town's revenues were significantly impacted. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration. Given the daily evolution of the pandemic, the Town cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the Town's results of operations, net position/fund balance and liquidity for the year ended June 30, 2021.

TOWN OF TRYON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

J. Subsequent Events

In August 2020, the Town signed an interlocal agreement with Polk County that states that the County will allocate approximately \$126,000 to the Town from its allocation of funds from the Coronavirus Relief Fund.

In August 2020, the State Water Infrastructure Authority approved the Town's Water and Sewer Fund application for funding for the Braewick Road Sewer Rehabilitation Project ("Project"). The approved Project is also eligible to receive an Additional Supplemental Appropriations for Disaster Relief Act of 2019 ("ASADRA") loan of approximately \$2,190,000. 50% of the loan (up to a maximum of \$1,000,000) will be forgiven and the remainder will be payable at a maximum interest rate of 0.18%.

In October 2020, the Town (Harmon Field Fund) purchased a new roof for the concession stand at Harmon Field for approximately \$2,500.

In October 2020, the Town purchased the property at 55 Melrose Avenue ("Melrose Inn") for approximately \$43,000. The Town then approved to demolish the Melrose Inn that was located on the property for approximately \$82,000.

In October 2020, the Town purchased a dump truck for approximately \$56,000 for the General Fund.

In November 2020, the Town signed an agreement with WithersRavenel to provide engineering services for the Project for approximately \$292,000.

In January 2021, the Town purchased a truck for approximately \$28,000 for the Fire Department Fund.

In March 2021, the Town received a grant for approximately \$143,000 from the Federal Emergency Management Agency to help the Town cover costs associated with a flood event.

In March 2021, the Town purchased fire equipment for approximately \$61,000 for the Fire Department Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TRYON, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2020	2019	2018	2017
Beginning Balance of the Total Pension Liability	\$ 305,123	339,373	360,676	\$ 341,687
Changes for the Year:				
Service Cost	8,592	9,132	10,320	16,431
Interest on Total Pension Liability	10,927	10,624	13,921	12,198
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	(111,526)	(37,371)	(64,796)	-
Changes of Assumptions or Other Inputs	4,972	(10,307)	19,252	(9,640)
Benefit Payments	(9,866)	(6,328)	-	-
Net Changes	(96,901)	(34,250)	(21,303)	18,989
Ending Balance of the Total Pension Liability	<u>\$ 208,222</u>	<u>305,123</u>	<u>339,373</u>	<u>\$ 360,676</u>

Notes to Schedule:

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

The Town implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

The discount rate used for each year was as follows:

	3.26%	3.64%	3.16%	3.86%
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TOWN OF TRYON, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2020	2019	2018	2017
Total Pension Liability	\$ 208,222	305,123	339,373	\$ 360,676
Covered Payroll	\$ 326,600	272,234	372,611	\$ 540,227
Total Pension Liability as a Percentage of Covered Payroll	63.75%	112.08%	91.08%	66.76%

Notes to Schedule:

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

The Town implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

The discount rate used for each year was as follows:

3.26%	3.64%	3.16%	3.86%
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TOWN OF TRYON, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability (Asset)	0.019120%	0.018090%	0.023450%	0.023220%	0.021720%	2.279000%	0.023100%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 522,152	429,157	358,252	492,806	97,478	(134,403)	\$ 278,444
Town's Covered Payroll	\$ 1,435,582	1,517,108	1,517,108	1,448,826	1,341,741	1,344,301	\$ 1,294,327
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	36.37%	28.29%	23.61%	34.01%	7.27%	-10.00%	21.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

Notes to Schedule:

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

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

TOWN OF TRYON, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 144,666	113,811	113,783	109,990	99,522	96,052	\$ 95,798
Contributions in Relation to the Contractually Required Contribution:	144,666	113,811	113,783	109,990	99,522	96,052	95,798
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 1,569,850	1,435,582	1,517,108	1,517,108	1,448,826	1,341,741	\$ 1,344,301
Contributions as a Percentage of Covered Payroll	9.22%	7.93%	7.50%	7.25%	6.87%	7.16%	7.13%

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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SUPPLEMENTARY INFORMATION

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 877,000	885,032	\$ 8,032
Penalties and Interest	-	2,600	2,600
Total	877,000	887,632	10,632
Unrestricted Intergovernmental Revenue:			
Local Option Sales Taxes	307,000	390,985	83,985
Payment in Lieu of Taxes (External Sources)	98,000	139,033	41,033
Utility Sales Tax	100,000	141,713	41,713
Beer and Wine Tax	-	7,708	7,708
Total	505,000	679,439	174,439
Restricted Intergovernmental Revenue:			
Powell Bill Allocation	65,000	67,545	2,545
Total	65,000	67,545	2,545
Sales And Services:			
Rents, Concessions, and Other Services	20,000	33,705	13,705
Total	20,000	33,705	13,705
Investment Earnings	-	43,980	43,980
Miscellaneous Revenues:			
Contributions	2,300	2,325	25
Miscellaneous	202,086	26,842	(175,244)
Total	204,386	29,167	(175,219)
TOTAL REVENUES	1,671,386	1,741,468	70,082
EXPENDITURES			
General Government:			
Governing Body:			
Salaries and Employee Benefits	13,700	16,293	(2,593)
Operating Expenditures	84,904	70,354	14,550
Total	98,604	86,647	11,957
Administration:			
Salaries and Employee Benefits	343,749	237,560	106,189
Operating Expenditures	164,740	222,931	(58,191)
Capital Outlay	45,000	17,291	27,709
Total	553,489	477,782	75,707
Total General Government	\$ 652,093	564,429	\$ 87,664

(Continued)

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public Safety:			
Police:			
Salaries and Employee Benefits	\$ 553,768	504,494	\$ 49,274
Operating Expenditures	95,600	88,805	6,795
Total Public Safety	<u>649,368</u>	<u>593,299</u>	<u>56,069</u>
Economic Development:			
Planning and Zoning:			
Operating Expenditures	16,000	15,110	890
Total Economic Development	<u>16,000</u>	<u>15,110</u>	<u>890</u>
Transportation:			
Streets and Highways:			
Salaries and Employee Benefits	213,613	103,900	109,713
Operating Expenditures	180,070	217,410	(37,340)
Capital Outlay	87,163	150,150	(62,987)
Total Transportation	<u>480,846</u>	<u>471,460</u>	<u>9,386</u>
Culture and Recreation:			
Parks and Recreation:			
Operating Expenditures	4,400	6,377	(1,977)
Total Culture and Recreation	<u>4,400</u>	<u>6,377</u>	<u>(1,977)</u>
Debt Service:			
Principal	49,682	55,792	(6,110)
Interest and Bank Fees	2,892	3,635	(743)
Total Debt Service	<u>52,574</u>	<u>59,427</u>	<u>(6,853)</u>
TOTAL EXPENDITURES	<u>1,855,281</u>	<u>1,710,102</u>	<u>145,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(183,895)</u>	<u>31,366</u>	<u>215,261</u>
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	-	8,290	8,290
Transfers In	32,000	32,000	-
Transfers Out	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,000</u>	<u>30,290</u>	<u>8,290</u>
Fund Balance Appropriated	<u>161,895</u>	<u>-</u>	<u>(161,895)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>61,656</u>	<u>\$ 61,656</u>
FUND BALANCE, Beginning of Year		<u>1,652,459</u>	
FUND BALANCE, End of Year		<u>\$ 1,714,115</u>	

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - FIRE DEPARTMENT FUND**

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 492,529	552,552	\$ 60,023
Total	<u>492,529</u>	<u>552,552</u>	<u>60,023</u>
Investment Earnings	<u>-</u>	<u>32</u>	<u>32</u>
Miscellaneous Revenues:			
Contributions	-	4,200	4,200
Miscellaneous	-	3,667	3,667
Total	<u>-</u>	<u>7,867</u>	<u>7,867</u>
TOTAL REVENUES	<u>492,529</u>	<u>560,451</u>	<u>67,922</u>
EXPENDITURES			
Public Safety:			
Salaries and Employee Benefits	205,114	223,461	(18,347)
Operating Expenditures	168,186	134,444	33,742
Capital Outlay	-	10,815	(10,815)
Total	<u>373,300</u>	<u>368,720</u>	<u>4,580</u>
Debt Service:			
Principal	47,703	43,436	4,267
Interest and Bank Fees	-	4,267	(4,267)
Total Debt Service	<u>47,703</u>	<u>47,703</u>	<u>-</u>
TOTAL EXPENDITURES	<u>421,003</u>	<u>416,423</u>	<u>4,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>71,526</u>	<u>144,028</u>	<u>72,502</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(32,000)	(32,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>
Fund Balance Appropriated	<u>(39,526)</u>		<u>39,526</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>112,028</u>	<u>\$ 112,028</u>
FUND BALANCE, Beginning of Year		<u>278,057</u>	
FUND BALANCE, End of Year		<u>\$ 390,085</u>	

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
FINAL BUDGET AND ACTUAL - HARMON FIELD FUND**

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 171,464	212,449	\$ 40,985
Penalties and Interest	-	422	422
Total	<u>171,464</u>	<u>212,871</u>	<u>41,407</u>
Sales And Services:			
Rent, Concessions, and Other Services	20,500	50,165	29,665
Total	<u>20,500</u>	<u>50,165</u>	<u>29,665</u>
Investment Earnings	-	312	312
Miscellaneous Revenues:			
Contributions	2,100	4,500	2,400
Total	<u>2,100</u>	<u>4,500</u>	<u>2,400</u>
TOTAL REVENUES	<u>194,064</u>	<u>267,848</u>	<u>73,784</u>
EXPENDITURES			
Culture and Recreation:			
Grounds Maintenance:			
Salaries and Employee Benefits	109,854	124,110	(14,256)
Operating Expenditures	82,340	97,546	(15,206)
Capital Outlay	1,464	9,325	(7,861)
Total	<u>\$ 193,658</u>	<u>230,981</u>	<u>\$ (37,323)</u>
TOTAL EXPENDITURES	<u>193,658</u>	<u>230,981</u>	<u>(37,323)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>406</u>	<u>36,867</u>	<u>36,461</u>
Fund Balance Appropriated	<u>(406)</u>		<u>406</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>36,867</u>	<u>\$ 36,867</u>
FUND BALANCE, Beginning of Year		<u>(9,200)</u>	
FUND BALANCE, End of Year		<u>\$ 27,667</u>	

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES AND EXPENDITURES - FINAL BUDGET AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Charges for Services			
Water Sales	\$ 1,042,200	1,092,063	\$ 49,863
Sewer Charges	510,000	449,731	(60,269)
Water and Sewer Taps	9,000	17,570	8,570
Total Operating Revenues	1,561,200	1,559,364	(1,836)
Nonoperating Revenues:			
Interest Earned on Investments	-	1,924	1,924
Other Non-Operating Revenue	62,264	(2,787)	(65,051)
Total Nonoperating Revenues	62,264	(863)	(63,127)
TOTAL REVENUES	1,623,464	1,558,501	(64,963)
EXPENDITURES			
Water and Sewer Distribution:			
Salaries and Employee Benefits	232,508	338,461	(105,953)
Outside Services	5,000	5,696	(696)
Utilities	6,500	5,764	736
Telephone	2,790	6,315	(3,525)
Advertising	250	62	188
Uniforms	1,300	2,377	(1,077)
Professional Services	2,100	-	2,100
Insurance	4,000	4,000	-
Dues and Subscriptions	200	100	100
Materials and Supplies	107,000	105,905	1,095
Repairs and Maintenance	8,500	9,722	(1,222)
Travel	100	816	(716)
Bad Debt Expense	-	240	(240)
Other Departmental Expense	41,000	-	41,000
Total	411,248	479,458	(68,210)
Water Treatment Plant:			
Salaries and Employee Benefits	213,911	270,892	(56,981)
Outside Services	15,000	55,648	(40,648)
Utilities	45,000	52,626	(7,626)
Uniforms	700	973	(273)
Materials and Supplies	75,300	86,720	(11,420)
Office Supplies and Postage	3,500	4,050	(550)
Repairs and Maintenance	10,500	27,280	(16,780)
Advertising	200	-	200
Telephone	2,160	4,144	(1,984)
Travel	100	175	(75)
Licenses and Permits	8,000	2,175	5,825
Insurance	10,400	10,199	201
Dues and Subscriptions	500	640	(140)
Other Departmental Expense	41,000	-	41,000
Total	426,271	515,522	(89,251)
Wastewater Plant Operations:			
Salaries and Employee Benefits	85,907	168,524	(82,617)
Outside Services	33,000	43,593	(10,593)
Telephone	1,590	2,139	(549)
Utilities	15,000	18,495	(3,495)
Materials and Supplies	11,700	10,071	1,629
Repairs and Maintenance	\$ 4,100	3,786	\$ 314

(Continued)

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES AND EXPENDITURES - FINAL BUDGET AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Wastewater Plant Operations: (Continued)			
Advertising	\$ 400	199	\$ 201
Uniforms	500	504	(4)
Insurance	6,500	6,500	-
Office Supplies and Postage	1,600	2,036	(436)
Dues and Subscriptions	400	310	90
Travel	200	657	(457)
Licenses and Permits	5,000	4,350	650
Other Departmental Expense	34,000	-	34,000
Total	199,897	261,164	(61,267)
Wastewater Collection:			
Salaries and Employee Benefits	146,914	166,779	(19,865)
Outside Services	35,000	16,382	18,618
Utilities	1,000	1,517	(517)
Telephone	600	921	(321)
Advertising	150	-	150
Uniforms	500	435	65
Professional Services	1,100	-	1,100
Insurance	5,000	5,000	-
Dues and Subscriptions	500	401	99
Materials and Supplies	7,000	11,628	(4,628)
Repairs and Maintenance	17,500	6,107	11,393
Travel	500	162	338
Other Departmental Expense	36,914	-	36,914
Total	252,678	209,332	43,346
Debt Service:			
Principal Retirement	253,019	212,221	40,798
Interest and Other Charges	80,351	64,259	16,092
Total Debt Service	333,370	276,480	56,890
Capital Outlay	20,000	62,019	(42,019)
TOTAL EXPENDITURES	1,643,464	1,803,975	(160,511)
REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(245,474)	(225,474)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(20,000)	(245,474)	(225,474)
Fund Balance Appropriated	20,000		(20,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	(242,268)	\$ (242,268)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Payment of Debt Principal		212,221	
Capital Outlay		62,019	
Other		(3,206)	
Change in Accrued Interest		(6,270)	
Depreciation		(253,132)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(37,540)	
Change in Compensated Absences		(21,394)	
CHANGE IN NET POSITION		\$ (289,570)	

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES AND EXPENDITURES - FINAL BUDGET AND ACTUAL (NON-GAAP) - SANITATION FUND

YEAR ENDED JUNE 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Sanitation Fees			
Charges for Services	\$ 227,000	224,982	\$ (2,018)
Other Operating Revenues	3,000	2,439	(561)
Nonoperating Revenues:			
Solid Waste Disposal Tax	1,000	1,360	360
TOTAL REVENUES	231,000	228,781	(2,219)
EXPENDITURES			
Sanitation:			
Salaries and Employee Benefits	140,641	158,014	(17,373)
Outside Services	500	1,645	(1,145)
Utilities	300	-	300
Telephone	1,020	1,070	(50)
Materials and Supplies	10,000	12,584	(2,584)
Office Supplies and Postage	1,500	2,025	(525)
Tipping Charges	45,000	43,497	1,503
Repairs and Maintenance	11,250	19,016	(7,766)
Uniforms	700	1,101	(401)
Professional Services	2,100	-	2,100
Insurance	2,200	2,168	32
Travel	-	120	(120)
Other Departmental Expense	9,000	-	9,000
Total	224,211	241,240	(17,029)
Debt Service:			
Principal Retirement	6,723	6,723	-
Interest and Other Charges	6,158	6,129	29
Total Debt Service	12,881	12,852	29
Capital Outlay	-	13,876	(13,876)
TOTAL EXPENDITURES	237,092	267,968	(30,876)
REVENUES OVER (UNDER) EXPENDITURES	(6,092)	(39,187)	(33,095)
OTHER FINANCING SOURCES (USES)			
Transfers In	10,000	10,000	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	-
Fund Balance Appropriated	(3,908)	-	3,908
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	(29,187)	\$ (29,187)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Payment of Debt Principal		6,723	
Capital Outlay		13,876	
Depreciation		(23,387)	
Change in Accrued Interest		(1,498)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(16,566)	
Change in Compensated Absences		(1,769)	
CHANGE IN NET POSITION		\$ (51,808)	

TOWN OF TRYON, NORTH CAROLINA

ALL AGENCY FUNDS

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2020

	BALANCE JUNE 30, 2019	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2020
ROGERS PARK				
ASSETS				
Cash and Cash Equivalents	\$ 10,244	1,500	82	\$ 11,662
TOTAL ASSETS	\$ 10,244	1,500	82	\$ 11,662
LIABILITIES				
Amounts Held in Custody for Others	\$ 10,244	1,500	82	\$ 11,662
TOTAL LIABILITIES	\$ 10,244	1,500	82	\$ 11,662
CEMETARY PROJECT				
ASSETS				
Cash and Cash Equivalents	\$ 673	-	1,421	\$ (748)
TOTAL ASSETS	\$ 673	-	1,421	\$ (748)
LIABILITIES				
Amounts Held in Custody for Others	\$ 673	-	1,421	\$ (748)
TOTAL LIABILITIES	\$ 673	-	1,421	\$ (748)
WOODLAND PARK				
ASSETS				
Cash and Cash Equivalents	\$ 9,525	-	-	\$ 9,525
TOTAL ASSETS	\$ 9,525	-	-	\$ 9,525
LIABILITIES				
Amounts Held in Custody for Others	\$ 9,525	-	-	\$ 9,525
TOTAL LIABILITIES	\$ 9,525	-	-	\$ 9,525
GREENWAY PROJECT				
ASSETS				
Cash and Cash Equivalents	\$ 265	-	-	\$ 265
TOTAL ASSETS	\$ 265	-	-	\$ 265
LIABILITIES				
Amounts Held in Custody for Others	\$ 265	-	-	\$ 265
TOTAL LIABILITIES	\$ 265	-	-	\$ 265

(Continued)

TOWN OF TRYON, NORTH CAROLINA

ALL AGENCY FUNDS

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2020

	BALANCE JUNE 30, 2019	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2020
ST. LUKE'S PLAZA				
ASSETS				
Cash and Cash Equivalents	\$ 1,083	1,226	1,191	\$ 1,118
TOTAL ASSETS	\$ 1,083	1,226	1,191	\$ 1,118
LIABILITIES				
Amounts Held in Custody for Others	\$ 1,083	1,226	1,191	\$ 1,118
TOTAL LIABILITIES	\$ 1,083	1,226	1,191	\$ 1,118
SUMMER TRACKS				
ASSETS				
Cash and Cash Equivalents	\$ 8,570	13,331	16,475	\$ 5,426
TOTAL ASSETS	\$ 8,570	13,331	16,475	\$ 5,426
LIABILITIES				
Amounts Held in Custody for Others	\$ 8,570	13,331	16,475	\$ 5,426
TOTAL LIABILITIES	\$ 8,570	13,331	16,475	\$ 5,426
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 30,360	16,057	19,169	\$ 27,248
TOTAL ASSETS	\$ 30,360	16,057	19,169	\$ 27,248
LIABILITIES				
Amounts Held in Custody for Others	\$ 30,360	16,057	19,169	\$ 27,248
TOTAL LIABILITIES	\$ 30,360	16,057	19,169	\$ 27,248

TOWN OF TRYON, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - COMPONENT UNIT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - TOURISM DEVELOPMENT AUTHORITY**

YEAR ENDED JUNE 30, 2020

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Other Taxes and Licenses:			
Occupancy Taxes	\$ 20,000	19,947	\$ (53)
Investment Earnings	-	317	317
TOTAL REVENUES	20,000	20,264	264
EXPENDITURES			
Economic Development:			
Operating Expenditures	20,000	24,542	(4,542)
Total	20,000	24,542	(4,542)
TOTAL EXPENDITURES	20,000	24,542	(4,542)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4,278)	(4,278)
NET CHANGE IN FUND BALANCE	\$ -	(4,278)	\$ (4,278)
FUND BALANCE, Beginning of Year		43,162	
FUND BALANCE, End of Year		\$ 38,884	

TOWN OF TRYON, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Other Adjustments	Uncollected Balance June 30, 2020
2019-2020	\$ -	904,536	885,613	-	\$ 18,923
2018-2019	10,301	-	7,476	-	2,825
2017-2018	2,049	-	397	-	1,652
2016-2017	172	-	-	-	172
2015-2016	519	-	11	-	508
2014-2015	354	-	6	-	348
2013-2014	491	-	2	-	489
2012-2013	2	-	-	-	2
2011-2012	3	-	-	-	3
2011 and prior	2,169	-	843	-	1,326
Totals	<u>\$ 16,060</u>	<u>904,536</u>	<u>894,348</u>	<u>-</u>	<u>26,248</u>
Less Allowance for Uncollectible Ad Valorem Taxes Receivable					<u>(621)</u>
Ad Valorem Taxes Receivable, net					<u>25,627</u>
<u>Reconciliation to Revenues:</u>					
Ad Valorem Taxes - General Fund					887,632
Reconciling Items:					
Interest Collected					(2,600)
Discounts Allowed					9,316
Subtotal					6,716
Total Collections and Credits					<u>\$ 894,348</u>

TOWN OF TRYON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property at Current Year's Rate	\$ 180,024,457	0.5028	\$ 905,163	812,600	\$ 92,563
Total	<u>180,024,457</u>		<u>905,163</u>	<u>812,600</u>	<u>92,563</u>
Releases:					
Current Year Taxes	(118,750)	0.5028	(627)	(627)	-
Total Property Valuation	<u>\$ 179,905,707</u>				
Net Levy			904,536	811,973	92,563
Uncollected Taxes at June 30, 2019			<u>18,923</u>	<u>18,923</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 885,613</u>	<u>793,050</u>	<u>\$ 92,563</u>
Current Levy Collection Percentage			<u>97.91%</u>	<u>97.67%</u>	<u>100.00%</u>

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COMPLIANCE SECTION

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Tryon, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 19, 2021. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as items 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-004, 2020-005, and 2020-006.

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Town's Responses to the Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
May 19, 2021

TOWN OF TRYON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

Financial Statement Findings

2020-001: YEAR END CLOSING PROCESS

Condition:	During the 2020 audit, it was noted that several items, such as prepaids, the due to/from accounts, liability accounts, etc. were not properly reviewed and adjusted prior to us arriving for the audit.
Criteria:	The Town should have reviewed and adjusted these items during the year end closing process prior to the year end audit work.
Context, Cause and Effect:	It appears the prior auditors assisted the Town with a lot of these adjustments in the past. The Town's outside accountant is not in the state of North Carolina which also makes it difficult for things to be reviewed and closed out since the work is all done remotely.
Recommendation:	We recommend that the Town develop and implement appropriate internal controls to ensure that all year end closing items are correctly reviewed and completed prior to year end audit work.
Response:	The Town agrees with this finding and will adhere to the corrective action plan on pages 86-87 in this audit report.

2020-002: MONTHLY RECONCILIATIONS

Condition:	During the 2020 audit, it was noted that several items, such as the investments statements, bank reconciliations, utility collections, etc. were not properly reconciled to the ledger on a monthly basis.
Criteria:	The Town should be receiving statements for all investment and bank accounts on their ledger. These items, along with revenue collections, should be reconciled to the ledger monthly to ensure items are recorded properly and all outstanding receivables are being investigated timely.
Context, Cause and Effect:	The Town has not been receiving one of their investment statements since December 2019 due to the statement being in the Fire Chief's name instead of the Town Manager's name. Also, the Town does not usually review its receivable collections and revenues in detail.
Recommendation:	We recommend the Town develop and implement appropriate internal controls to ensure that all investment and bank accounts are reconciled monthly and that all revenue and receivable balances are reconciled to the ledger monthly to ensure money is being collected timely and recorded appropriately.
Response:	The Town agrees with this finding and will adhere to the corrective action plan on pages 86-87 in this audit report.

TOWN OF TRYON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-003: PRIOR PERIOD ADJUSTMENTS – UTILITY RECEIVABLES

Condition:	During the 2020 audit, it was noted that the Town had failed to record the earned but unbilled portion of the utility receivables in the prior year. In reviewing the prior year auditor's workpapers, it was also noted that the utility receivable balance for the sanitation fund was not adjusted to actual. The Town corrected these errors when they were discovered which resulted in prior period adjustments.
Criteria:	The Town should have appropriate internal controls in place to ensure that all necessary accruals have been properly recorded.
Context, Cause and Effect:	The Town was not aware that the earned but unbilled portion of the utility receivables needed to be recorded. They also thought all necessary adjustments were made to the sanitation receivable balance in the prior year. This resulted in the Town's net position being misstated in the prior year.
Recommendation:	We recommend that the Town develop and implement appropriate internal controls to ensure that all receivables are recorded to the appropriate accounting period including the earned but unbilled portion of the utility receivables.
Response:	The Town agrees with this finding and will adhere to the corrective action plan on pages 86-87 in this audit report.

2020-004: TOWN PURCHASING AND STATE PREAUDIT REQUIREMENTS

Condition:	During the 2020 audit, we noted a number of transactions where the Town's purchasing and the preaudit requirements from the State were not followed. The Town also does not have a written policy for outlining procedures for preauditing obligations that will be incurred by electronic payments.
Criteria:	The Town should be adhering to its own and the State's preaudit requirements.
Context, Cause and Effect:	It is difficult for the Town to follow all the State's preaudit requirements due to the size of the Town and the available staff to help meet these requirements.
Recommendation:	We know that the State preaudit requirements are extremely difficult to follow for small entities. We would encourage the Town to work with its new accountant and the NC Local Government Commission to design a way to properly reduce state compliance risk and one that would be reasonable for the Town's size and complexity.
Response:	The Town agrees with this finding and will adhere to the corrective action plan on pages 86-87 in this audit report.

TOWN OF TRYON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-005: UNALLOWABLE INVESTMENTS

Condition:	During the 2020 audit, it was noted that the Town had investments in equities of approximately \$10,000 as of June 30, 2020. Investments in equities are not an allowable investment per Article 3 of Chapter 159.
Criteria:	The Town should only invest its funds in those items as noted in Article 3 of Chapter 159 of the North Carolina Statutes.
Context, Cause and Effect:	The Town was not aware of the unique investment requirements related to equities.
Recommendation:	We would encourage the Town to liquidate its equity investments as soon as it is economically and practically possible.
Response:	The Town agrees with this finding and will adhere to the corrective action plan on pages 86-87 in this audit report.

2020-006: EXPENDITURES IN EXCESS OF APPROPRIATIONS

Condition:	During the 2020 audit, it was noted the Harmon Field Fund had expenditures in excess of the appropriated budget amount by approximately \$37,000. Additional expenditures were recorded in culture and recreation, but a corresponding budget amendment was not made and approved by Council.
Criteria:	The Town should not expend more than what is budgeted (original or as amended) for each fund.
Context, Cause and Effect:	The Town did not realize they were going to exceed the budget for the current year and did not review budget to actual information to realize an amendment was needed.
Recommendation:	We would encourage the Board and management to review actual to budget reports regularly to ensure compliance in future years.
Response:	The Town agrees with this finding and will adhere to the corrective action plan on pages 86-87 in this audit report.



TOWN OF TRYON

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TOWN OF TRYON, NORTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2020

Financial Statement Findings

Finding: 2020-001

Contact Person: Zach Ollis, Town Manager, manager@tryonnc.gov

Corrective Action: Going forward, the Town will provide additional training on year-end procedures and stress the importance of following the internal controls and procedures that are in place. The Town is also in the process of implementing a new accounting system that should provide additional improvements in invoice processing and reporting.

Proposed Completion Date: December 31, 2021

Finding: 2020-002

Contact Person: Zach Ollis, Town Manager, manager@tryonnc.gov

Corrective Action: In the future, the Town will develop and implement appropriate internal controls to ensure that all investment and bank accounts are reconciled monthly and that all revenue/receivable balances are reconciled to the ledger monthly to ensure money is being collected timely and recorded appropriately.

Proposed Completion Date: December 31, 2021

Finding: 2020-003

Contact Person: Zach Ollis, Town Manager, manager@tryonnc.gov

Corrective Action: In the future, the Town will develop and implement appropriate internal controls to ensure that all receivable balances are recorded to the appropriate accounting period.

Proposed Completion Date: December 31, 2021

TOWN OF TRYON, NORTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

Finding: 2020-004

Contact Person: Zach Ollis, Town Manager, manager@tryonnc.gov

Corrective Action: In the future, the Town will work with its new accountant and NC Local Government Commission to design a way to properly reduce state compliance risk and will develop a written policy for outlining procedures for preaudit requirements (which will also address preauditing obligations that will be incurred by electronic payments).

Proposed Completion Date: December 31, 2021

Finding: 2020-005

Contact Person: Zach Ollis, Town Manager, manager@tryonnc.gov

Corrective Action: The Town will liquidate its equity investments as soon as possible.

Proposed Completion Date: December 31, 2021

Finding: 2020-006

Contact Person: Zach Ollis, Town Manager, manager@tryonnc.gov

Corrective Action: In the future, the Town will amend their budget for any expenditures in excess of the appropriated budget amount.

Proposed Completion Date: December 31, 2021