

Town of Woodfin, North Carolina

Financial Statements

June 30, 2020

TOWN OF WOODFIN
Woodfin, North Carolina

Financial Statements

June 30, 2020

Mayor

M. Jerry Vebaun

Board of Aldermen

Jim Angel

Debbie Giezentanner

Jackie Pope Bryson

Donald Hensley

Donald Honeycutt

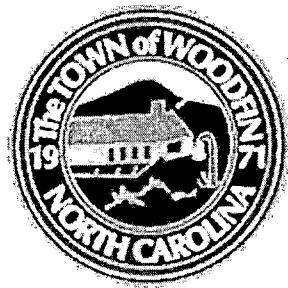
Ronnie Lunsford

Town Administrator

Eric Hardy

Town Clerk

Jody Jones



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Town of Woodfin, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Woodfin ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Woodfin ABC Board, is based solely on the report of another auditor. 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 of material misstatement. The financial statements of the Town of Woodfin 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented

component unit, and each major fund of the Town of Woodfin, North Carolina, as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-12, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 48, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 44 and 45, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of Town of Woodfin'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 the 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 Town of Woodfin's internal control over financial reporting and compliance.

Ray, Bumgarner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
September 30, 2020

Management's Discussion and Analysis

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

Financial Highlights

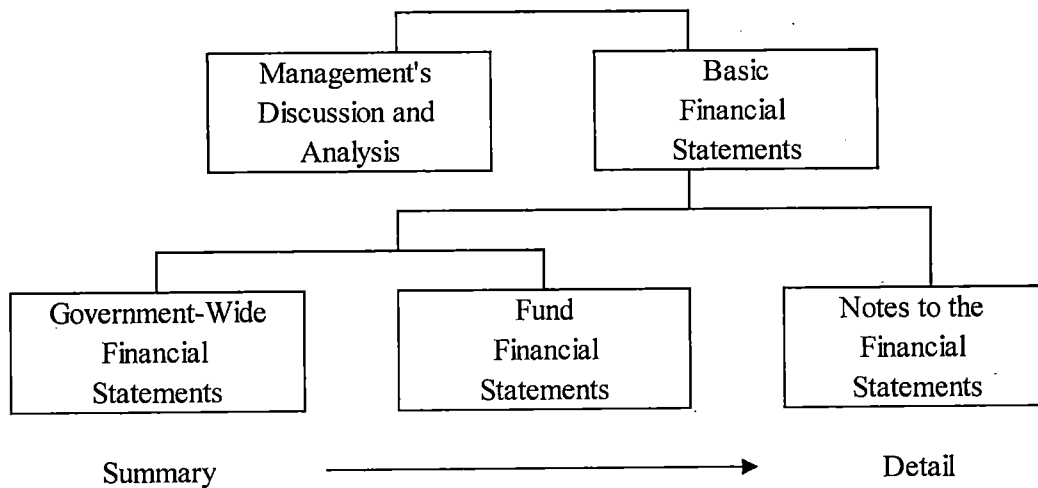
- The assets of the Town of Woodfin exceeded its liabilities at the close of the fiscal year by \$2,156,233 (*net position*). The Town is reporting a negative unrestrictive net position of \$(522,964) as a result of the implementation of GASB 75 in the fiscal year ended June 30, 2018, which required the Town to begin reporting other post-employment benefit obligation liability (OPEB).
- The government's total net position increased by \$367,381 primarily due to ad valorem revenues and sales and utilities franchise tax revenues in the current year exceeding spending.
- As of the close of the current fiscal year, the Town of Woodfin's governmental funds reported combined ending fund balances of \$3,060,257 with a net change of \$127,308 in fund balance. Approximately 12.85% of this total amount, or \$393,340 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,264,213, or 48.96% of total general fund expenditures for the fiscal year.
- Fund balance increased due to a healthy tax base and some growth of the tax base in the form of residential and commercial new construction during the year which resulted in greater tax revenues.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's

basic services such as public safety, public works, recreation, and general administration. Property taxes and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town of Woodfin does not have any business-type activities. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town of Woodfin because the Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes other supplementary information including individual fund statements and schedules and additional financial data concerning the Town of Woodfin which can be found beginning on page 49 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with 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 State laws and State appropriations.

Government-Wide Financial Analysis

Town of Woodfin's Net Position

Figure 2

| | Total Governmental Activities | |
|--|--|--------------|
| | 2020 | 2019 |
| Current and other assets | \$ 3,189,827 | \$ 3,094,795 |
| Capital assets | 2,624,986 | 2,448,740 |
| Deferred outflows of resources | 585,548 | 544,743 |
| Total assets and deferred outflows of resources | 6,400,361 | 6,088,278 |
| Long-term liabilities outstanding | 3,451,903 | 3,862,495 |
| Other liabilities | 113,449 | 153,851 |
| Deferred inflows of resources | 678,776 | 283,080 |
| Total liabilities and deferred inflows of resources | 4,244,128 | 4,299,426 |
| Net position: | | |
| Net investment in capital assets | 2,285,857 | 1,846,074 |
| Restricted | 393,340 | 538,152 |
| Unrestricted | (522,964) | (595,374) |
| Total net position | \$ 2,156,233 | \$ 1,788,852 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Woodfin exceeded liabilities by \$2,156,233 as of June 30, 2020. The Town's net position increased by \$367,381 for the fiscal year ended June 30, 2020. However, the Town's investment in capital assets (e.g. land, buildings, infrastructure, and equipment) less any related debt still outstanding that was issued to acquire those items totals \$2,285,857. The Town of Woodfin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Woodfin's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Woodfin's net position \$393,340 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(522,964) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.91%.
- Better than anticipated returns on various revenue streams such as sales tax and utilities franchise tax and the addition of a business registration fee.

Town of Woodfin's Changes in Net Position

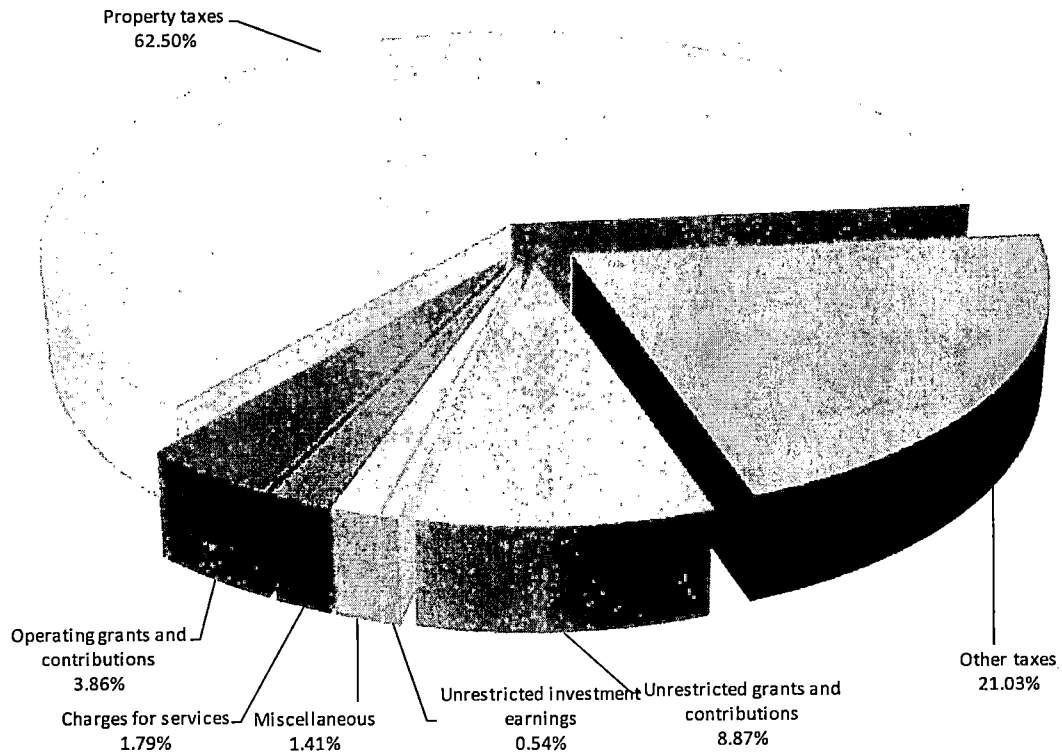
Figure 3

| | Total Governmental Activities | |
|---------------------------------------|-------------------------------------|---------------------|
| | 2020 | 2019 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 85,395 | \$ 151,215 |
| Operating grants and contributions | 183,877 | 185,901 |
| Capital grants and contributions | - | - |
| General revenues: | | |
| Property taxes | 2,975,283 | 2,375,067 |
| Other taxes | 1,000,999 | 933,435 |
| Unrestricted grants and contributions | 422,162 | 427,649 |
| Unrestricted investment earnings | 25,583 | 32,240 |
| Miscellaneous | 67,221 | 82,797 |
| Total revenues | <u>4,760,520</u> | <u>4,188,304</u> |
| Expenses: | | |
| General Government | 1,068,991 | 1,012,776 |
| Public safety | 1,817,572 | 1,704,188 |
| Transportation and Sanitation | 1,403,916 | 1,090,060 |
| Recreational | 94,668 | 101,267 |
| Debt service - interest | 7,992 | 11,222 |
| Total expenses | <u>4,393,139</u> | <u>3,919,513</u> |
| Increase in net position | <u>367,381</u> | <u>268,791</u> |
| Net position, beginning of year | <u>1,788,852</u> | <u>1,520,061</u> |
| Net position, ending | <u>\$ 2,156,233</u> | <u>\$ 1,788,852</u> |

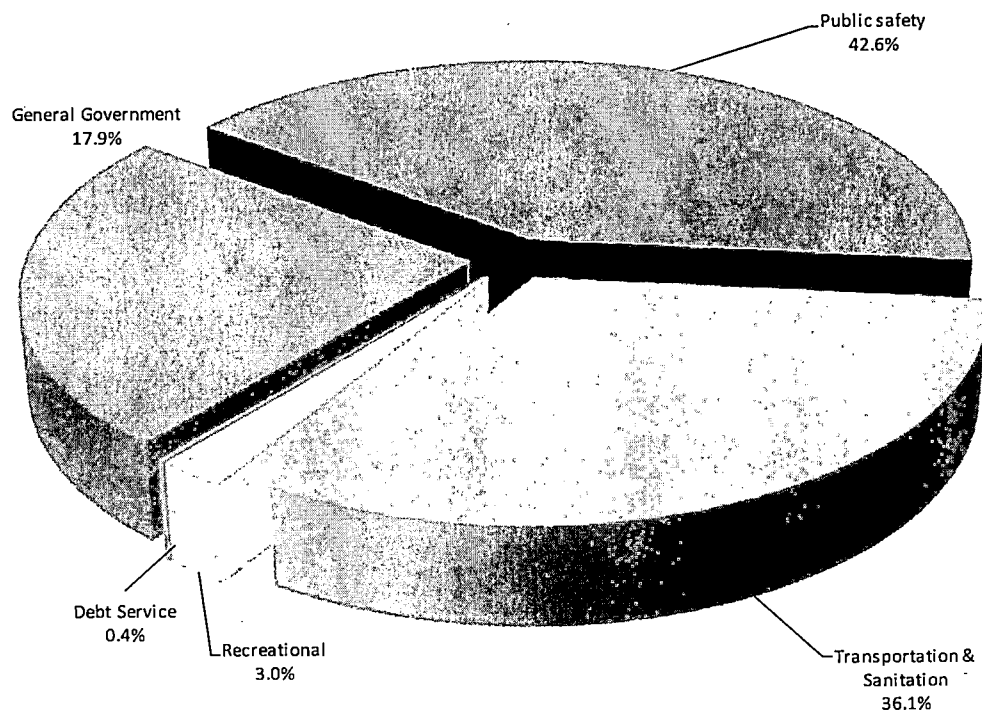
Governmental activities. Governmental activities increased the Town's net position by \$367,381, thereby accounting for 100% of the total increase in the net position of the Town of Woodfin. Key elements of this increase are as follows:

- Grant revenues in the public safety function.
- Increases in local option sales tax as the economy continues to expand.
- Tax revenues increased overall as the Town's tax base grew due to new construction.

Government-Wide Revenues



Government-Wide Expenses



Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Woodfin's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Woodfin's financing requirements.

The general fund is the chief operating fund of the Town of Woodfin. At the end of the current fiscal year, the Town of Woodfin's unassigned fund balance in the General Fund was \$2,264,213 while total fund balance reached \$3,060,257. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 48.96% of total General Fund expenditures, while total fund balance represents 66.17% of the same amount.

At June 30, 2020, the governmental fund of the Town of Woodfin reported a fund balance of \$3,060,257 with a net increase in fund balance of \$127,308. This change in fund balance is an increase in the General Fund only.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on three occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as State grants; and 3) increases in appropriations that become necessary to maintain services.

During the year, the Town revised the budget amounts originally adopted by council to transfer budgeted expenditures to different departments and to increase budgets for unexpected increases in operating expenditures at various functional levels.

Capital Asset and Debt Administration

Capital assets. The Town of Woodfin's investment in capital assets for its governmental activities as of June 30, 2020, totals \$2,624,986 (net of accumulated depreciation). These assets include land, buildings, roads, other improvements, vehicles and motorized equipment, and equipment and furniture.

Major capital asset transactions during the year include the following:

- Purchase of vehicles and equipment totaling \$76,541 for vehicle equipment and a leaf vacuum truck.
- Purchase of a K-9 for the Police department.
- Construction in process for the Greenway/Blueway Project.

**Town of Woodfin's Capital Assets
(net of depreciation)**

Figure 4

| | Total Governmental Activities | |
|--|-------------------------------------|---------------------|
| | 2020 | 2019 |
| Land and other non depreciating assets | \$ 1,472,475 | \$ 1,185,347 |
| Building | 253,400 | 266,800 |
| Infrastructure - roads | 359,313 | 383,715 |
| Other improvements | 119,008 | 129,166 |
| Vehicles and motorized equipment | 394,562 | 464,656 |
| Equipment and furniture | 26,228 | 19,056 |
| | <u>\$ 2,624,986</u> | <u>\$ 2,448,740</u> |

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of Woodfin had no bonded debt outstanding. The remainder of the Town's debt represents direct placement installment purchase obligations for the purchase of a public works maintenance building, three police vehicles, a dump truck and a garbage truck and a tract of land for a greenway.

Outstanding Debt

Figure 5

| | Governmental Activities | |
|------------------------------|----------------------------|---------------------|
| | 2020 | 2019 |
| Installment debt | \$ 339,129 | \$ 602,666 |
| OPEB | 1,847,126 | 2,218,204 |
| Pension related debt (LGERS) | 732,433 | 564,380 |
| Pension related debt (LEO) | 466,526 | 397,987 |
| Compensated absences | 66,689 | 79,258 |
| Total | <u>\$ 3,451,903</u> | <u>\$ 3,862,495</u> |

Town of Woodfin's Outstanding Debt

The Town of Woodfin's direct placement installment debt decreased by \$263,537 (43.73%) during the past fiscal year as a result of payments made during the year on the installment loans. Total debt does not include compensated absences.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Woodfin is approximately \$71,381,307.

Additional information regarding the Town of Woodfin's long-term debt can be found in Note 3.B.6 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The impacts of COVID-19 beginning in the final four months of fiscal year 2020 continue to affect local development, town operations and financial projections into fiscal year 2021.

After a brief disruption during March, construction activity in the Town continues to flourish as demonstrated by a steady flow of building permit applications and rebounding employment in the construction industry. Much of this construction activity centers on residential development throughout the jurisdiction. Due to the ongoing pressures of development, the Town began recruitment in August 2020 for a new Planning Director. This role is critical to improving systems and processes related to land use, development, and long range visioning for Woodfin.

Town operations continue to be impacted by public health concerns and the ongoing State of Emergency. Town Hall operates by appointment only and public park facilities remain closed. However, law enforcement continues to ensure a safe community, street maintenance workers stay ahead of needed road improvements, and sanitation crews keep our Town tidy. The new normal resulting from the pandemic has dictated increased spending on sanitation; social distancing measures, and community engagement. Access to funding through the Coronavirus Relief Fund (CARES Act) has mitigated anticipated budget impacts into fiscal year 2021 due to staff isolation or quarantine; overtime expenditures; purchases of protective personal equipment, supplies, and enhanced public engagement tools. Buncombe County has made approximately \$70,000 available to Woodfin to be used as reimbursement for COVID-19 related expenditures through December 31, 2020.

Reynolds Village, envisioned as an economic engine along the Central Business District, continues to attract residential and commercial investment in the form of retail storefronts, a chain restaurant and storage facility. Although the ad valorem tax revenue continues to lag projections for this synthetic tax increment financing district, growth of that tax base is a positive note.

Ongoing major residential subdivision and commercial development across the Town also signifies future tax base increases.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

The Town's fiscal year 2021 ad valorem tax rate, 33 cents per \$100 valuation, remains unchanged from the prior year. A portion of that revenue is set aside to service debt for major capital investment.

The fiscal year 2021 revenue budget for sales & use tax is approximately 30% lower than the prior year in anticipation of an economic downturn. This reduction is offset by an increase in the Town's other major revenue, property tax. Tax base values increased by approximately \$50 million between 2019 and 2020. Contrary to forecasts, the Town has seen a healthy year-over-year increase in sales & use tax distribution during the first three months of fiscal year 2021.

The fiscal year 2021 annual operating expenditure budget is largely unchanged from the adopted fiscal year 2020 budget.

Construction begins in September 2020 on the first phase of an \$18 million multi-park system, the Woodfin Greenway and Blueway. This project is possible through a combination of funding streams including:

- \$6 million Federal Highway Administration (FHWA) award administered through the NC Department of Transportation Surface Transportation Direct Attributable fund
- \$4.5 million Woodfin General Obligation Bond proceeds
- \$2.25 million Tourism Development Authority - Project Development Fund award
- An anticipated \$1.5 million contribution from Buncombe County as the 20% match to the FHWA grant
- Several smaller and generous grant awards
- Actual and anticipated Woodfin general fund contributions
- Actual and anticipated local fundraising and contributions through a partnership with Riverlink

Once complete the Woodfin Greenway Blueway will feature two parks along the banks of the French Broad River connected by a segment of hard surface greenway. Greenways will extend beyond the boundaries of the two parks to provide connections to Asheville's greenway River Arts District to the south, and to The Mills at Riverside to the north. A final crucial linking segment of the 5-mile greenway network will follow Beaverdam Creek to the base of Reynolds Mountain. The Whitewater Wave, built into the French Broad River adjacent to Riverside Park, is expected to attract paddlers from across the nation. A companion amenity is the Craggy Mountain Line, which is operated independent of the Town and currently runs restored trolley and rail cars along the entire length of the park system.

The transformation of Woodfin's riverfront once used for industry and dumping grounds is anticipated to take three to four years to completion. Investment in, and redevelopment of, adjacent properties are underway as the community looks to realize its grand vision.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Woodfin, 90 Elk Mountain Road, Woodfin, NC 28804. You can also call (828)-253-4887, visit our website www.woodfin-nc.gov or send an email to ehardy@woodfin-nc.gov for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF WOODFIN, NORTH CAROLINA

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2020

| | Primary Government | Component Unit |
|--|------------------------------------|--------------------------------------|
| | Governmental Activities | Town of Woodfin ABC Board |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,696,271 | \$ 615,486 |
| Cash and cash equivalents, restricted | 188,223 | - |
| Taxes receivable, net | 16,121 | - |
| Accounts receivable, net | 42,787 | 2,950 |
| Due from other governments | 246,425 | - |
| Prepaid items | - | 10,726 |
| Inventories | - | 197,619 |
| Total current assets | <u>3,189,827</u> | <u>826,781</u> |
| Non-current assets: | | |
| Capital assets: | | |
| Land and other non-depreciating assets | 1,472,475 | - |
| Other capital assets, net | <u>1,152,511</u> | <u>33,414</u> |
| Total capital assets | <u>2,624,986</u> | <u>33,414</u> |
| Total assets | <u>5,814,813</u> | <u>860,195</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | 494,282 | 44,821 |
| OPEB deferrals | <u>91,266</u> | <u>-</u> |
| Total deferred outflows of resources | <u>585,548</u> | <u>44,821</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 113,449 | 272,180 |
| Current portion of long-term liabilities | <u>199,686</u> | <u>-</u> |
| Total current liabilities | <u>313,135</u> | <u>272,180</u> |
| Long-term liabilities: | | |
| Net pension liability | 732,433 | 45,333 |
| Total pension liability | 466,526 | - |
| Total OPEB liability | 1,847,126 | - |
| Due in more than one year | <u>206,132</u> | <u>-</u> |
| Total liabilities | <u>3,565,352</u> | <u>317,513</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 78,069 | - |
| OPEB deferrals | <u>600,707</u> | <u>-</u> |
| Total deferred inflows of resources | <u>678,776</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 2,285,857 | 33,414 |
| Restricted for: | | |
| Stabilization by State statute | 289,212 | - |
| Streets | 101,485 | - |
| Public safety | 2,643 | - |
| Minimum working capital | - | 71,613 |
| Unrestricted | <u>(522,964)</u> | <u>482,476</u> |
| Total net position | <u>\$ 2,156,233</u> | <u>\$ 587,503</u> |

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

TOWN OF WOODFIN, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|---------------------|-------------------------|--|--|--|---------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary | Component |
| | | | | | Government | Unit |
| | | | | | Governmental Activities | Town of Woodfin ABC Board |
| Primary government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 1,068,991 | \$ 53,638 | \$ - | \$ - | \$ (1,015,353) | \$ - |
| Public safety | 1,817,572 | - | - | - | (1,817,572) | - |
| Transportation | 623,222 | - | 183,877 | - | (439,345) | - |
| Sanitation | 780,694 | - | - | - | (780,694) | - |
| Recreational | 94,668 | 31,757 | - | - | (62,911) | - |
| Interest on long-term debt | 7,992 | - | - | - | (7,992) | - |
| Total governmental activities | <u>4,393,139</u> | <u>85,395</u> | <u>183,877</u> | <u>-</u> | <u>(4,123,867)</u> | <u>-</u> |
| Total primary government | <u>\$ 4,393,139</u> | <u>\$ 85,395</u> | <u>\$ 183,877</u> | <u>\$ -</u> | <u>(4,123,867)</u> | <u>-</u> |
| Component unit: | | | | | | |
| Town of Woodfin ABC Board | \$ 2,288,129 | \$ 2,402,222 | \$ - | \$ - | - | 114,093 |
| Total component unit | <u>\$ 2,288,129</u> | <u>\$ 2,402,222</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>114,093</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purpose | | | | | 2,975,283 | - |
| Other taxes | | | | | 1,000,999 | - |
| Grants and contributions not restricted to specific programs | | | | | 422,162 | - |
| Unrestricted investment earnings | | | | | 25,583 | 325 |
| Miscellaneous | | | | | 67,221 | - |
| Total general revenues and special items | | | | | <u>4,491,248</u> | <u>325</u> |
| Changes in net position | | | | | 367,381 | 114,418 |
| Net position, beginning | | | | | <u>1,788,852</u> | <u>473,085</u> |
| Net position, end of year | | | | | <u>\$ 2,156,233</u> | <u>\$ 587,503</u> |

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

TOWN OF WOODFIN, NORTH CAROLINA

Exhibit 3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

| | <u>Major Funds</u> | <u>Total</u> |
|---|---------------------|---------------------|
| | <u>General Fund</u> | <u>Governmental</u> |
| | | <u>Funds</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 2,696,271 | \$ 2,696,271 |
| Cash and cash equivalents, restricted | 188,223 | 188,223 |
| Taxes receivable, net | 16,121 | 16,121 |
| Accounts receivable, net | 42,787 | 42,787 |
| Prepaid items | - | - |
| Due from other governments | 246,425 | 246,425 |
| Total assets | <u>\$ 3,189,827</u> | <u>\$ 3,189,827</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 113,449 | \$ 113,449 |
| Total liabilities | <u>113,449</u> | <u>113,449</u> |
| Deferred inflows of resources: | | |
| Property taxes receivable | 16,121 | 16,121 |
| Total deferred inflows of resources | <u>16,121</u> | <u>16,121</u> |
| Fund balances: | | |
| Restricted for: | | |
| Stabilization by State statute | 289,212 | 289,212 |
| Streets - Powell Bill | 101,485 | 101,485 |
| Public safety | 2,643 | 2,643 |
| Committed - Bond Repayments | 402,704 | 402,704 |
| Unassigned | 2,264,213 | 2,264,213 |
| Total fund balances | <u>3,060,257</u> | <u>\$ 3,060,257</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,189,827</u> | |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | | |
| Total Fund Balance, Governmental Fund | | \$ 3,060,257 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | | 2,624,986 |
| Net pension liability | | (732,433) |
| Total pension liability | | (466,526) |
| Total OPEB liability | | (1,847,126) |
| Deferred outflows of resources related to pensions are not reported in the funds | | 494,282 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements | | 16,121 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | 91,266 |
| Some liabilities, including notes payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds | | (405,818) |
| Deferred inflows of resources related to pensions are not reported in the funds | | (78,069) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | <u>(600,707)</u> |
| Net position of governmental activities | | <u>\$ 2,156,233</u> |

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

TOWN OF WOODFIN, NORTH CAROLINA

Exhibit 4

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2020**

| | <u>Major Funds</u> | |
|---|----------------------------|---|
| | General Fund | Total Governmental Funds |
| REVENUES | | |
| Ad valorem taxes | \$ 2,967,157 | \$ 2,967,157 |
| Other taxes and licenses | 1,000,999 | 1,000,999 |
| Unrestricted intergovernmental | 422,162 | 422,162 |
| Restricted intergovernmental | 183,877 | 183,877 |
| Permits and fees | 53,638 | 53,638 |
| Sales and services | 267 | 267 |
| Rental income | 31,757 | 31,757 |
| Investment earnings | 25,583 | 25,583 |
| Miscellaneous | 50,112 | 50,112 |
| Total revenues | <u>4,735,552</u> | <u>4,735,552</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 1,032,242 | 1,032,242 |
| Public safety | 1,607,161 | 1,607,161 |
| Public works | 1,340,568 | 1,340,568 |
| Recreational | 373,586 | 373,586 |
| Debt service: | | |
| Principal | 263,537 | 263,537 |
| Interest and other charges | 7,992 | 7,992 |
| Total expenditures | <u>4,625,086</u> | <u>4,625,086</u> |
| Excess (deficiency) of revenues over expenditures | 110,466 | 110,466 |
| OTHER FINANCING SOURCES | | |
| Sale of capital assets | 16,842 | 16,842 |
| Loan proceeds | - | - |
| Total other financing sources | <u>16,842</u> | <u>16,842</u> |
| Net change in fund balances | 127,308 | 127,308 |
| Fund balances, beginning of year | <u>2,932,949</u> | <u>2,932,949</u> |
| Fund balances, end of year | <u><u>\$ 3,060,257</u></u> | <u><u>\$ 3,060,257</u></u> |

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

| | | |
|---|----------------|-------------------|
| Net changes in fund balances - total governmental funds | | \$ 127,308 |
| Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements. | | (197,423) |
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net position | | 373,669 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 157,268 |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities | | 53,945 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Change in unavailable revenue for tax revenues | | 8,126 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. | | |
| New long-term debt issued | - | |
| Principal payments on long-term debt | <u>263,537</u> | 263,537 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Pension expense | | (318,897) |
| Pension expense - LEOSSA | | (32,057) |
| Compensated absences | | 15,823 |
| OPEB plan expense | | <u>(83,918)</u> |
| Total changes in net position of governmental activities | | <u>\$ 367,381</u> |

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

TOWN OF WOODFIN, NORTH CAROLINA

Exhibit 6

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2020

| General Fund | | | | Variance With Final Positive (Negative) |
|---|--------------------|-----------------|--------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 3,291,421 | 3,291,421 | \$ 2,967,157 | \$ (324,264) |
| Other taxes and licenses | 841,500 | 841,700 | 1,000,999 | 159,299 |
| Unrestricted intergovernmental | 404,000 | 404,000 | 422,162 | 18,162 |
| Restricted intergovernmental | 189,000 | 189,000 | 183,877 | (5,123) |
| Permits and fees | 53,260 | 53,260 | 53,638 | 378 |
| Sales and services | 500 | 500 | 267 | (233) |
| Rental income | 39,000 | 43,500 | 31,757 | (11,743) |
| Investment earnings | 18,000 | 18,000 | 25,583 | 7,583 |
| Miscellaneous | 52,700 | 48,000 | 50,112 | 2,112 |
| Total revenues | 4,889,381 | 4,889,381 | 4,735,552 | (153,829) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,084,601 | 1,090,601 | 1,032,242 | 58,359 |
| Public safety | 1,559,737 | 1,737,396 | 1,607,161 | 130,235 |
| Public works | 1,516,724 | 1,542,742 | 1,340,568 | 202,174 |
| Recreational | 443,400 | 594,501 | 373,586 | 220,915 |
| Debt service: | | | | |
| Principal retirement | 276,919 | 265,855 | 263,537 | 2,318 |
| Interest and other charges | 8,000 | 8,000 | 7,992 | 8 |
| Total expenditures | 4,889,381 | 5,239,095 | 4,625,086 | 614,009 |
| Revenues over (under) expenditures | - | (349,714) | 110,466 | 460,180 |
| Other financing sources (uses): | | | | |
| Sale of capital asset | - | - | 16,842 | 16,842 |
| Loan Proceeds | - | - | - | - |
| Appropriations from fund balance | - | 349,714 | - | (349,714) |
| Total other financing sources | - | 349,714 | 16,842 | (332,872) |
| Revenues and other sources over (under) expenditures | \$ - | \$ - | 127,308 | \$ 127,308 |
| Fund balance, beginning of year, as originally reported | | | 2,932,949 | |
| Fund balance, end of year | | | \$ 3,060,257 | |

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

TOWN OF WOODFIN, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Woodfin and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The Town of Woodfin is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Woodfin ABC Board

The members of the Town of Woodfin ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Woodfin ABC Board, 142 Weaverville Road, Asheville, NC 28804.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town of Woodfin does not have any business-type activities.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. The General Fund

accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and public works (street maintenance / construction and sanitation services).

Capital Projects Fund – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities or projects (other than those financed by proprietary funds and trust funds). The Town has one Capital Projects Fund, the Greenway and Blueway Combined Phases Project Fund, within its governmental fund types.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Woodfin because the tax is levied by Buncombe County and then

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

D. Budgetary Data

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

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

1. Deposits and Investments

All deposits of the Town and of the Town of Woodfin ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio is an SEC-registered (2a-7) money market mutual fund measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4. Unauthorized substance tax funds are classified as restricted cash because they

can be expended only for purposes related to law enforcement. Contributions and grants received in the amount of \$84,095 are restricted for the Woodfin Greenway/Blueway Project.

Town of Woodfin Restricted Cash

Governmental Activities

General Fund:

| | |
|--------------------------|-------------------|
| Streets | \$ 101,485 |
| Public Safety | 2,643 |
| Greenway/Blueway Project | 84,095 |
| | <u>\$ 188,223</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the Town ABC Board consist of materials and supplies held for subsequent sale. The cost of these inventories is expensed when sold rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; building and improvements, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The Town has no minimum capitalization cost for computer software and computer equipment. The Town's purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and 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.

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

| Asset Class | Estimated Useful Lives |
|-------------------------|---------------------------|
| Infrastructure | 25 |
| Buildings | 30-50 |
| Improvements | 25 |
| Vehicles | 3-6 |
| Furniture and equipment | 3-10 |
| Computer software | 5 |
| Computer equipment | 3 |

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

| Asset Class | Estimated Useful Lives |
|------------------------------|---------------------------|
| Computers and equipment | 5-10 |
| Store fixtures and equipment | 5-10 |

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan and pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements governmental fund types report the face amount of debt issued as other financing sources and debt service payments as current expenditures.

10. Compensated Absences

The vacation policy of the Town provides for vacation leave as follows:

| Length of Service | Vacation Leave Hire Date Before | Vacation Leave Hire Date On or After |
|---------------------------|------------------------------------|---|
| | 8/21/2007 | 8/21/2007 |
| Less than 2 years | 12 days | 10 days |
| 2 but less than 5 years | 14 days | 12 days |
| 5 but less than 10 years | 18 days | 16 days |
| 10 but less than 15 years | 21 days | 19 days |
| 15 but less than 20 years | 24 days | 22 days |
| 20 or more years | 27 days | 25 days |

The vacation policy of the Town provides for the accumulation of earned vacation leave with such leave being fully vested when earned. Accumulated earned vacation at June 30, 2020 amounts to \$66,689. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave 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.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a registration 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 Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety - portion of the fund balance that is available for appropriation but legally segregated to enhance the ability of the police department to deter and investigate crimes, especially

drug offenses. This amount represents the \$2,643 unexpended balance of the unauthorized substance tax received from the State.

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

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

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

The Town of Woodfin does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. However, it is management’s practice to use resources in the following hierarchy: federal funds, State funds, local non-town funds, 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 of Woodfin has not adopted a minimum fund balance policy for the general fund. However, the Town’s management monitors fund balance levels and strives to maintain fund balance at a level that is appropriate for its size.

12. Defined Benefit Cost Sharing Plan

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

13. Estimates

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

Note 2 – Stewardship, Compliance and Accountability

The Town had no violations of non-compliance with State Statutes for the year ended June 30, 2020.

Note 3 – Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the Town of Woodfin ABC Board are either insured or collateralized 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 or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has deposits only in the Pooling Method depositories. The Town and the ABC Board 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 properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$746,079 and a bank balance of \$762,192. Of the bank balance, \$250,000 was covered by federal depository insurance and \$512,192 was covered by collateral held under the pooling method. Petty cash on hand at the Town totaled \$371. The carrying amount of deposits for the ABC Board was \$613,336 and the bank balance was \$605,853. Federal depository insurance covers the Board up to \$250,000, while \$112,955 is covered by collateral held under the pooling method. At June 30, 2020, the ABC Board's cash on hand totaled \$2,150.

2. Investments

At June 30, 2020, the Town of Woodfin had \$2,138,044 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal investment policy regarding interest rate risk. The Town also has no formal policy regarding credit risk, but does have internal management procedures that limit the Town's investments to the provisions of G.S. 159-30.

3. Receivables – Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding. The amount is insignificant.

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

General Fund:

| | |
|---|---------------|
| Allowance for uncollectible ad valorem taxes receivable | <u>\$ 427</u> |
|---|---------------|

4. Capital Assets

Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|----------------|---------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,185,347 | \$ - | \$ - | \$ 1,185,347 |
| Construction in process | - | 287,128 | - | 287,128 |
| Total capital assets not being depreciated | <u>1,185,347</u> | <u>287,128</u> | <u>-</u> | <u>1,472,475</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 490,000 | - | - | 490,000 |
| Infrastructure - roads | 577,750 | - | - | 577,750 |
| Other improvements | 280,039 | - | - | 280,039 |
| Vehicles and motorized equipment | 1,770,191 | 76,541 | 78,013 | 1,768,719 |
| Equipment and furniture | <u>282,107</u> | <u>10,000</u> | <u>-</u> | <u>292,107</u> |
| Total capital assets being depreciated | <u>3,400,087</u> | <u>86,541</u> | <u>78,013</u> | <u>3,408,615</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 223,200 | 13,400 | - | 236,600 |
| Infrastructure - roads | 194,035 | 24,402 | - | 218,437 |
| Other improvements | 150,873 | 10,158 | - | 161,031 |
| Vehicles and motorized equipment | 1,305,535 | 146,635 | 78,013 | 1,374,157 |
| Equipment and furniture | <u>263,051</u> | <u>2,828</u> | <u>-</u> | <u>265,879</u> |
| Total accumulated depreciation | <u>2,136,694</u> | <u>197,423</u> | <u>78,013</u> | <u>2,256,104</u> |
| Total capital assets being depreciated, net | <u>1,263,393</u> | | | <u>1,152,511</u> |
| Governmental activity capital assets, net | <u>\$ 2,448,740</u> | | | <u>\$ 2,624,986</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 7,676 |
| Public safety | 106,976 |
| Transportation | 74,561 |
| Recreational | 8,210 |
| Total depreciation expense | <u>\$ 197,423</u> |

There were no construction commitments as of June 30, 2020.

Discretely presented component unit

Activity for the Town of Woodfin ABC Board for the year ended June 30, 2020, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| Capital assets not being depreciated: | | | | |
| Equipment & furniture | \$ 55,589 | \$ - | \$ - | \$ 55,589 |
| Leasehold improvements | 8,642 | 10,740 | - | 19,382 |
| Store fixtures and equipment | 45,853 | - | - | 45,853 |
| Total capital assets not being depreciated | 110,084 | 10,740 | - | 120,824 |
| Less accumulated depreciation for: | | | | |
| Equipment & furniture | 55,589 | - | - | 55,589 |
| Leasehold improvements | 255 | 1,628 | - | 1,883 |
| Store fixtures and equipment | 23,885 | 6,053 | - | 29,938 |
| Total accumulated depreciation | 79,729 | 7,681 | - | 87,410 |
| ABC capital assets, net | \$ 30,355 | | | \$ 33,414 |

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description – The Town of Woodfin is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 8.95% and 9.70%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Woodfin are established, and may be amended, by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2020, 2019, and 2018 were \$149,655, \$121,655, and \$110,042, respectively. The contributions made by the Town equaled the required contributions for the year.

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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Woodfin employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Woodfin's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 of Woodfin were \$149,655 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$732,433 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.02682%, which was an increase of 0.00303% from its proportion measured as of June 30, 2018:

For the year ended June 30, 2020, the Town recognized pension expense of \$318,897. 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 | \$ 125,411 | \$ - |
| Changes of assumptions | 119,374 | - |
| Net difference between projected and actual earnings on pension plan investments | 17,865 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 27,025 | 21,019 |
| Contribution to pension plan in current fiscal year | 149,655 | - |
| Total | <u>\$ 439,330</u> | <u>\$ 21,019</u> |

\$149,655 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-------------------|
| 2020 | \$ 127,521 |
| 2021 | 39,363 |
| 2022 | 79,281 |
| 2023 | 22,491 |
| 2024 | - |
| Thereafter | - |
| | <u>\$ 268,656</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 |
| Discount rate | 7.00 percent, net of pension plan investment expense, including inflation |

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and

historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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

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

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

| | <u>1% Decrease (6.00%)</u> | <u>Discount rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 1,675,209 | \$ 732,433 | \$ (51,204) |

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description*

The Town of Woodfin administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least

30 years of 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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Active plan members | 15 |
| Inactive members currently receiving benefits | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Total | <u>16</u> |

2. Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria in paragraph 4 as outlined in GASB Statement 73.

3. Actuarial Assumptions

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

| | |
|----------------------------|---------------------|
| Inflation | 2.5 percent |
| Projected salary increases | 3.5 to 7.35 percent |
| Discount rate | 3.26 percent |

The discount rate used to measure the TPL is the S&P Municipal Bond 20-year high grade rate index.

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town made no payments during the reporting period as there were no benefits that came due.

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 \$466,526. 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 \$32,057.

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|--|---|
| Differences between expected and actual experience | \$ 20,560 | \$ 39,996 |
| Changes of assumptions | 26,779 | 17,054 |
| Town benefit payments and plan administrative expense made subsequent to the measurement date | 7,613 | - |
| Total | <u>\$ 54,952</u> | <u>\$ 57,050</u> |

The Town reported no deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date that would be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2021 | \$ (4,655) |
| 2022 | (4,655) |
| 2023 | (4,419) |
| 2024 | (1,468) |
| 2025 | 3,291 |
| Thereafter | 2,195 |

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 | \$ 509,803 | \$ 466,526 | \$ 427,079 |

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

| | 2020 |
|--|------------|
| Beginning balance | \$ 397,987 |
| Service cost at end of year | 21,971 |
| Interest on the total pension liability | 14,348 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 24,403 |
| Changes of assumptions or other inputs | 15,430 |
| Benefit payments | (7,613) |
| Other changes | - |
| Net changes | 68,539 |
| Ending balance of the total pension liability | \$ 466,526 |

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

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

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

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

| | LGERS | LEOSSA | Total |
|--|------------|-----------|------------|
| Pension Expense | \$ 318,897 | \$ 32,057 | \$ 350,954 |
| Pension Liability | 732,433 | 466,526 | 1,198,959 |
| Proportionate share of the net pension liability | 0.02682% | n/a | |

Deferred of Outflows of Resources

| | | | |
|--|---------|--------|---------|
| Differences between expected and actual experience | 125,411 | 20,560 | 145,971 |
| Changes of assumptions | 119,374 | 26,779 | 146,153 |
| Net difference between projected and actual earnings on plan investments | 17,865 | - | 17,865 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 27,025 | - | 27,025 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 149,655 | 7,613 | 157,268 |

Deferred of Inflows of Resources

| | | | |
|--|--------|--------|--------|
| Differences between expected and actual experience | - | 39,996 | 39,996 |
| Changes of assumptions | - | 17,054 | 17,054 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 21,019 | - | 21,019 |

c. 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Officer of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The town contributes up to 8% for all eligible employees. The law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$64,235 for the reporting year. No amounts were forfeited.

d. NC 401(k) Plan for Other Employees

Plan Description – The Town contributes to the NC 401(k) Plan, a defined contribution pension plan. The Plan provides retirement benefits to employees other than law enforcement officers employed by the Town.

Funding Policy – The Town voluntarily contributes each month an amount up to eight percent of each employee's salary, and all amounts contributed are vested immediately. Employees may make voluntary contributions to the Plan. Contributions for other employees amounted to \$56,777 for the fiscal year ended June 30, 2020.

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description. The Town of Woodfin's personnel policy provides for a single-employer group healthcare plan (the Plan). The Board of Aldermen maintain authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 78.

Benefits Provided. Retirees hired prior to July 1, 2008 and are eligible for monthly retirement benefits in accordance with the provisions of the N.C. Local Governmental Employees' Retirement System and has been covered by the Town's group medical and dental plan for the three years immediately preceding retirement, shall be eligible to remain in the Town group medical and dental plan. Regular employees hired on or after July 1, 2008 must have twenty years of service with the Town to be eligible for health and dental insurance coverage after retirement. The cost of such group medical and dental insurance shall be paid entirely by the Town for the employee only and shall be paid only until attainment of age sixty-five. The qualifying retiree may also continue family coverage for dependents by paying the full difference between the total insurance cost and the cost of the individual coverage provided by the Town.

Membership in the Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

| | Number of Employees |
|---|------------------------|
| Retirees and dependents receiving benefits | 5 |
| Inactive members entitled to but not yet receiving benefits | - |
| Active Employees | <u>27</u> |
| Total Membership | <u><u>32</u></u> |

Total OPEB Liability

The Town's total OPEB liability of \$1,847,126 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.5 percent |
| Salary increases | 3.5-7.75 percent, average, including inflation |
| Discount rate | 3.5 percent |
| Healthcare cost trend rates | 7.0 percent for 2019 decreasing to an ultimate rate of 4.5 percent by 2026 |

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-----------------------------|
| Balance at July 1/2018 | <u>\$ 2,218,204</u> |
| Changes for the year | |
| Service cost | 73,559 |
| Interest | 85,153 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (512,894) |
| Changes in assumptions or other inputs | 42,010 |
| Benefit payments | <u>(58,906)</u> |
| Net changes | <u>(371,078)</u> |
| Balance at 6/30/2019 | <u><u>\$ 1,847,126</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Mortality Tables, with adjustments for LGERS experience and generalization mortality improvements using scale MP-2015.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total

OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

| | 1% Decrease (2.50%) | Discount Rate (3.50%) | 1% Increase (4.50%) |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB liability | \$ 2,055,773 | \$ 1,847,126 | \$ 1,663,191 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current | 1% Increase |
|----------------------|--------------------|----------------|--------------------|
| Total OPEB liability | \$ 1,634,278 | \$ 1,847,126 | \$ 2,098,745 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$83,918. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 456,946 |
| Changes of assumptions | 37,321 | 143,761 |
| Benefit payments and administrative costs made subsequent to the measurement date | 53,945 | - |
| Total | <u>\$ 91,266</u> | <u>\$ 600,707</u> |

These amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-------------|
| 2020 | \$ (78,836) |
| 2021 | (78,836) |
| 2022 | (78,836) |
| 2023 | (78,836) |
| 2024 | (78,836) |
| Thereafter | (169,206) |

2. Other Employment Benefits

Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those law enforcement officers who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination

of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death 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.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

| Source | Amount |
|---|-------------------|
| Differences between expected and actual experience | \$ 145,971 |
| Changes of assumptions | 146,153 |
| Net difference between projected and actual earnings on pension plan investments | 17,865 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 64,346 |
| Contribution to pension plan in current fiscal year | 211,213 |
| Total | <u>\$ 585,548</u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|--------------------------------------|---------------------------------------|
| Taxes Receivable, less penalties (General Fund) | \$ - | \$ 16,121 |
| Differences between expected and actual experience | 496,942 | - |
| Changes of assumptions | 160,815 | - |
| Net difference between projected and actual earnings on pension plan investments | - | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | - | - |
| Contribution to pension plan in current fiscal year | 21,019 | - |
| Total | <u>\$ 678,776</u> | <u>\$ 16,121</u> |

4. Commitments

During the fiscal year 2019-2020, the Town entered into an equipment contract that includes three police interceptor vehicles for a 60-month period, April 2020 through April 2024, with a monthly payment of approximately \$2,811.

Future minimum annual equipment lease payments are as follows:

Years ended June 30:

| | |
|-------|-------------------|
| 2021 | \$ 28,956 |
| 2022 | 28,956 |
| 2023 | \$ 28,956 |
| 2024 | 28,956 |
| 2025 | \$ 25,337 |
| Total | <u>\$ 141,161</u> |

The Town recorded equipment lease expense totaling \$5,833 for the year ended June 30, 2020.

The Town has entered into a service agreement for a photocopier. The monthly payment is \$398 but may vary based on additional services or products purchased. The lease began in August 2017 and ends in October 2022.

Future minimum annual services agreement for this contract are as follows:

Years ended June 30:

| | |
|-------|------------------|
| 2021 | \$ 4,777 |
| 2022 | 4,777 |
| 2023 | 1,592 |
| 2024 | - |
| 2025 | - |
| Total | <u>\$ 11,146</u> |

The Town recorded service agreement expenses totaling \$4,777 for the year ended June 30, 2020.

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accounts, and the audited financial statements are available to the Town upon request.

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

the past three fiscal years. The Town has elected not to purchase a flood insurance policy.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town administrator is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2020, there were no pending lawsuits.

7. Long-Term Obligations

a. Installment Purchases

In October 2010, the Town entered into a direct placement installment purchase contract in the amount of \$320,000 for the purchase of a public works maintenance building. The contract requires monthly payments of \$2,326 beginning in October 2010, with interest at 3.79%. The balance on this installment purchase contract at June 30, 2020 was \$132,729.

In August 2016, the Town entered into a direct placement installment purchase contract in the amount of \$385,000 for the purchase of three police vehicles, a leaf truck and a garbage truck. The contract required annual payments of \$133,257 beginning in August 2017, with interest at 1.89%. The balance on this installment purchase was paid to \$0 during the year and there is no balance at June 30, 2020.

In May 2017, the Town entered into a direct placement installment purchase contract in the amount of \$556,000 for the purchase of land at 1054 Riverside Dr., Woodfin NC 28804. The contract required monthly payments of \$9,200 beginning in May of 2017, with no interest. The balance on this installment purchase contract at June 30, 2020 was \$206,400.

Future minimum direct placement installment debt payments as of June 30, 2020 were as follows:

| Year Ending June 30 | Governmental Activities | |
|------------------------|-------------------------|------------------|
| | Principal | Interest |
| 2021 | \$ 133,686 | 4,628 |
| 2022 | 120,184 | 3,729 |
| 2023 | 25,117 | 2,797 |
| 2024 | 26,085 | 2,694 |
| 2025 | 27,091 | - |
| 2026 | 6,966 | - |
| Total | <u>\$ 339,129</u> | <u>\$ 13,848</u> |

b. Project Development Financing Bonds Disclosure

On August 20, 2008, Buncombe County issued \$12,960,000 of Project Development Financing (PDF) Bonds to fund the Woodfin Downtown Corridor District Project. Project development financing bonds are a financing mechanism whereby Buncombe County can promote economic development and redevelopment by capturing the incremental increase in tax revenue created by the project as a means of funding the debt service. Buncombe County entered into an agreement with the Town of Woodfin to develop the district, issue the bonds, and pledge the incremental ad valorem taxes for repayment of the bonds. Neither the credit nor the taxing powers of the State of North Carolina, Buncombe County or the Town were pledged for the repayment of the principal and interest

of the bonds.

The project consisted of roadways, sidewalks, water and sewer infrastructure, and other improvements within the district which became the property of the Town. Buncombe County entered into a minimum assessment agreement with the Town and the project developer to ensure that, at a minimum, the amount of ad valorem tax revenue needed to meet the debt service requirements of the bonds would be assessed.

In February 2014, Buncombe County issued Series 2014A limited obligation bonds to refund \$11,885,000 of the Series 2008 Project Development Financing (PDF) Revenue Bonds originally used to finance the Woodfin Downtown District Project. The Town and Buncombe County have pledged a portion of their future ad valorem tax revenues to repay the \$11,285,000 of the Series 2014A bonds. In addition to the aforementioned refunding, another \$1,075,000 of Series 2008 PDF Revenue Bonds were defeased pursuant to an escrow agreement dated April 15, 2014 between Buncombe County and U.S. Bank National Association. The bond debt service is payable from the incremental ad valorem tax revenues generated by increased property values in the refurbished district to the extent that these revenues are available. In the event that the incremental tax revenues are not sufficient to meet the debt service requirements, the Buncombe County general fund will advance the funds necessary to keep the debt service current. The Buncombe County general fund will then be reimbursed as additional incremental revenues become available in the future.

Total principal and interest remaining on the serial bonds is \$15,716,250 payable through June 2037. Interest rates range from 3% to 5% depending on the serial bond's maturity date. For the current fiscal year, there were principal payments of \$115,000 and interest payments of \$510,950 on the 2014A limited obligation bonds. Accumulated tax revenue for the same period of time was \$462,156. For the year ended June 30, 2020, the Town has recorded and paid incremental taxes of \$159,955 to Buncombe County as the Town's portion. Buncombe County is responsible for overseeing the repayment of these bonds, and, therefore, they are reported in the County's comprehensive annual financial report.

The County's limited obligation bonds are serial bonds with various maturity dates and debt service requirements as follows:

| Year Ending June 30 | Governmental Activities | |
|------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2021 | \$ 235,000 | \$ 505,200 |
| 2022 | 280,000 | 493,450 |
| 2023 | 330,000 | 479,450 |
| 2024 | 370,000 | 462,950 |
| 2025 | 415,000 | 444,450 |
| 2026-2030 | 2,680,000 | 1,868,750 |
| 2031-2035 | 3,885,000 | 1,159,000 |
| 2036-2038 | 2,685,000 | 163,200 |
| Total | <u>\$ 10,645,000</u> | <u>\$ 5,071,250</u> |

c. Changes in Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 | Current Portion of Balances |
|---------------------------------|-------------------------|------------|------------|--------------------------|--------------------------------|
| Governmental activities: | | | | | |
| By type of debt: | | | | | |
| Installment purchase | \$ 602,666 | \$ - | \$ 263,537 | \$ 339,129 | \$ 133,686 |
| Compensated absences | 79,258 | 85,937 | 98,506 | 66,689 | 66,000 |
| Net pension liability (LGERS) | 564,380 | 168,053 | - | 732,433 | - |
| Total pension liability (LEO) | 397,987 | 68,539 | - | 466,526 | - |
| Total OPEB liability | 2,218,204 | - | 371,078 | 1,847,126 | - |
| Total | \$ 3,862,495 | \$ 322,529 | \$ 733,121 | \$ 3,451,903 | \$ 199,686 |

At June 30, 2020, the Town of Woodfin had a legal debt margin of approximately \$71,381,307.

A. Fund Balance

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

| | |
|-----------------------------------|-------------|
| Total fund balance - General Fund | \$3,060,257 |
| Less: | |
| Stabilization by State Statute | 289,212 |
| Streets - Powell Bill | 101,485 |
| Public safety | 2,643 |
| Committed - Bond Repayment | 402,704 |
| Remaining Fund Balance | \$2,264,213 |

The Town has not adopted a minimum fund balance policy for the General Fund.

The Town does not use an encumbrance system. Therefore, the Town had no outstanding encumbrances at June 30, 2020.

Note 4 – Summary Disclosure of Significant ContingenciesA. State Assisted Programs

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

Note 5 – Significant Effects of Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. At year-end, the Town had not been

negatively impacted by the virus. And, as the pandemic and its impact appears to continue well after year-end, the future effects of these issues are unknown.

On July 26 the Town of Woodfin finalized the purchase of the 4.5-acre Waste Pro site, located near the Old Leicester Highway bridge along the French Broad River for \$600,000. This former dumpster storage area will be completely transformed and ultimately incorporated into the Master Plan for the Riverside Park expansion.

In September 2020, Construction began on the first phase of an \$18 million multi-park system, the Woodfin Greenway and Blueway, as described in Management's Discussion and Analysis.

Subsequent events have been evaluated through September 30, 2020, which is the date the audit report was available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Woodfin
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Woodfin's proportion of the net pension liability (asset) (%) | 0.02682% | 0.02379% | 0.01950% | 0.02559% | 0.02524% | (0.02632%) | 0.02720% |
| Woodfin's proportion of the net pension liability (asset) (\$) | \$ 732,433 | \$ 564,380 | \$ 297,906 | \$ 543,104 | \$ 113,277 | \$ (155,221) | \$ 327,864 |
| Woodfin's covered-employee payroll as of the prior fiscal year* | \$1,600,045 | \$1,389,915 | \$1,233,106 | \$1,234,150 | \$1,256,268 | \$1,247,992 | \$ 1,247,992 |
| Woodfin's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 45.78% | 40.61% | 24.16% | 44.04% | 9.18% | (12.36%) | 26.27% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.63% | 94.18% | 91.47% | 98.09% | 99.07% | 102.64% | 94.35% |

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

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

**Town of Woodfin
Schedule of Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 149,656 | \$ 121,655 | \$ 110,042 | \$ 95,110 | \$ 94,288 | \$ 91,281 | \$ 89,790 |
| Contributions in relation to the contractually required contribution | <u>149,656</u> | <u>121,655</u> | <u>110,042</u> | <u>95,110</u> | <u>94,288</u> | <u>91,281</u> | <u>89,790</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Woodfin's covered-employee payroll | \$ 1,490,126 | \$ 1,600,045 | \$ 1,389,915 | \$ 1,233,106 | \$ 1,234,150 | \$ 1,256,268 | \$ 1,247,992 |
| Contributions as a percentage of covered-employee payroll | 10.04% | 7.60% | 7.92% | 7.71% | 6.96% | 7.27% | 7.19% |

Town of Woodfin
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Beginning balance | \$ 397,987 | \$ 414,678 | \$ 397,260 | \$ 374,224 |
| Service Cost at end of year | 21,971 | 21,533 | 15,664 | 21,214 |
| Interest on the Total Pension Liability | 14,348 | 13,014 | 15,334 | 13,360 |
| Change in benefit terms | - | - | - | - |
| Difference between expected and actuarial experience | 24,403 | (27,744) | (39,887) | - |
| Changes of assumptions and other inputs | 15,430 | (17,784) | 26,307 | (11,538) |
| Benefit payments | (7,613) | (5,710) | - | - |
| Other changes | - | - | - | - |
| Ending balance | <u>\$ 466,526</u> | <u>\$ 397,987</u> | <u>\$ 414,678</u> | <u>\$ 397,260</u> |

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

Town of Woodfin
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|
| Total Pension Liability | \$ 466,526 | \$ 397,987 | \$ 414,678 | \$ 397,260 |
| Covered payroll | \$ 851,056 | \$ 757,089 | \$ 642,601 | \$ 793,689 |
| Total pension liability as a percentage of covered payroll | 54.82% | 52.57% | 64.53% | 50.05% |

Note to the schedule:

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

Town of Woodfin
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service cost at end of year | \$73,559 | \$76,028 | \$82,148 |
| Interest | 85,153 | 77,394 | 66,432 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (512,894) | (1,715) | - |
| Changes of assumptions or other inputs | 42,010 | (77,381) | (135,101) |
| Benefit payments | (58,906) | (59,689) | (33,651) |
| Net change in total OPEB liability | (371,078) | 14,637 | (\$20,172) |
| Total OPEB liability - beginning | 2,218,204 | 2,203,567 | 2,223,739 |
| Total OPEB liability - ending | <u>\$ 1,847,126</u> | <u>\$ 2,218,204</u> | <u>\$ 2,203,567</u> |
| Covered payroll | \$ 1,384,997 | \$ 1,057,305 | \$ 1,057,305 |
| Total OPEB liability as a percentage of covered payroll | 133.37% | 209.80% | 208.41% |

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

| <u>Fiscal year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2020 | 3.50% |
| 2019 | 3.89% |
| 2018 | 3.56% |

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF WOODFIN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--------------------------------------|------------------|------------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes | | | |
| Ad valorem taxes - current year | \$ | \$ 2,419,653 | \$ |
| Ad valorem taxes - DMV | | \$ 144,800 | |
| Blueway/Greenway Bond Repayment | | 402,704 | |
| | <u>3,291,421</u> | <u>2,967,157</u> | <u>(324,264)</u> |
| Other taxes and licenses: | | | |
| Privilege licenses | | 550 | |
| Local option sales tax | | 995,389 | |
| Solid waste disposal tax | | 5,060 | |
| | <u>841,700</u> | <u>1,000,999</u> | <u>159,299</u> |
| Unrestricted: | | | |
| Utilities franchise tax | | 333,526 | |
| Beer and wine tax | | 28,636 | |
| ABC Profit Distribution | | 60,000 | |
| | <u>404,000</u> | <u>422,162</u> | <u>18,162</u> |
| Restricted: | | | |
| NC Department of Public Safety grant | | - | |
| Powell Bill | | 183,877 | |
| | <u>189,000</u> | <u>183,877</u> | <u>(5,123)</u> |
| Permits and fees: | | | |
| Zoning permits | | 50,591 | |
| Court costs and fees | | 297 | |
| Impound fees | | 2,750 | |
| | <u>53,260</u> | <u>53,638</u> | <u>378</u> |
| Sales and services: | | | |
| Sales of recyclables | | 267 | |
| | <u>500</u> | <u>267</u> | <u>(233)</u> |
| Rental income: | | | |
| Community center rental | | 29,322 | |
| Picnic shelter rental | | 2,435 | |
| Greenway revenue | | - | |
| | <u>43,500</u> | <u>31,757</u> | <u>(11,743)</u> |
| Investment income: | | | |
| Interest on investments | | 25,583 | |
| | <u>18,000</u> | <u>25,583</u> | <u>7,583</u> |

(Continued on next page)

TOWN OF WOODFIN, NORTH CAROLINA

GENERAL FUND

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

For the year ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|------------------|------------------|------------------------------------|
| Miscellaneous income: | | | |
| Miscellaneous | | 7,130 | |
| Vending Machine revenue | | 692 | |
| ABC Revenue for Law Enforcement | | 6,552 | |
| Unauthorized substance | | 3,525 | |
| Police donations for community outreach program | | 32,213 | |
| | <u>48,000</u> | <u>50,112</u> | <u>2,112</u> |
| Total revenues | <u>4,889,381</u> | <u>4,735,552</u> | <u>(153,829)</u> |
| Expenditures: | | | |
| General government: | | | |
| Governing board: | | | |
| Aldermen compensation | | 18,000 | |
| Total governing board | <u>18,000</u> | <u>18,000</u> | <u>-</u> |
| Administration: | | | |
| Salaries and wages | | 339,426 | |
| FICA matching | | 25,967 | |
| Group insurance | | 65,446 | |
| Retirement | | 31,004 | |
| Professional fees | | 48,321 | |
| Workers compensation | | 6,512 | |
| Unemployment insurance | | 949 | |
| 401(k) contributions | | 27,713 | |
| Telephone | | 4,386 | |
| Postage | | 3,300 | |
| Printing | | 3,250 | |
| Website and computer | | 10,935 | |
| Utilities | | 10,868 | |
| Travel | | 5,667 | |
| Janitorial Service | | 8,602 | |
| Maintenance and repairs | | 8,110 | |
| Advertising | | 12,021 | |
| Automotive supplies | | 802 | |
| Supplies | | 34,835 | |
| Dues and subscriptions | | 18,727 | |
| Insurance and bonds | | 35,532 | |
| Election expense | | 13,237 | |
| Miscellaneous | | 2,686 | |
| Capital outlay | | - | |
| Non-Capital outlay | | - | |
| Total administration | <u>776,655</u> | <u>718,296</u> | <u>58,359</u> |
| Tax collections/TIF: | | | |
| Tax collection fees | | 56,053 | |
| Tax Increment Payment (TIF) | | 239,893 | |
| Total tax collections/TIF | <u>295,946</u> | <u>295,946</u> | <u>-</u> |
| Total general government | <u>1,090,601</u> | <u>1,032,242</u> | <u>58,359</u> |

(Continued on next page)

TOWN OF WOODFIN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|----------------------------------|------------------|------------------|------------------------------------|
| Public Safety: | | | |
| Police: | | | |
| Salaries and wages | | 861,136 | |
| Payroll taxes | | 65,833 | |
| Group insurance | | 172,567 | |
| Retirement | | 83,570 | |
| Workers compensation | | 24,970 | |
| 401(k) contributions | | 64,235 | |
| Telephone | | 12,067 | |
| Printing | | 2,480 | |
| Travel | | 4,714 | |
| Leased Vehicles | | 24,996 | |
| Maintenance and repairs | | 44,208 | |
| K-9 Unit | | 9,768 | |
| Automotive supplies | | 40,187 | |
| Supplies | | 54,028 | |
| Uniforms | | 8,924 | |
| Website and Computer | | 13,218 | |
| Dues and subscriptions | | 63,181 | |
| Insurance and bonds | | 24,267 | |
| Personnel testing | | 3,055 | |
| Miscellaneous | | - | |
| Investigation and Crime | | 605 | |
| Capital outlay | | 29,152 | |
| Total police | <u>1,737,396</u> | <u>1,607,161</u> | <u>130,235</u> |
| Total public safety | <u>1,737,396</u> | <u>1,607,161</u> | <u>130,235</u> |
| Public Works: | | | |
| Streets: | | | |
| Salaries and wages | | 114,857 | |
| Payroll taxes | | 8,863 | |
| Group insurance | | 17,003 | |
| Retirement | | 10,370 | |
| Workers compensation | | 3,256 | |
| 401(k) contributions | | 9,269 | |
| Utilities | | 1,917 | |
| Maintenance and repairs | | 16,692 | |
| Automotive supplies | | 6,009 | |
| Supplies | | 5,794 | |
| Uniforms | | 4,041 | |
| Travel and Training | | - | |
| Street lighting | | 58,160 | |
| Patching and Resurfacing Streets | | 6,210 | |
| Road Maintenance | | - | |
| Insurance and bonds | | 4,610 | |
| Capital Outlay | | 5,900 | |
| Total streets | <u>308,905</u> | <u>272,951</u> | <u>35,954</u> |

TOWN OF WOODFIN, NORTH CAROLINA

GENERAL FUND

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

For the year ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|-----------------------------|------------------|------------------|------------------------------------|
| Sanitation: | | | |
| Salaries and wages | | 274,264 | |
| Payroll taxes | | 21,629 | |
| Group insurance | | 64,366 | |
| Retirement | | 24,712 | |
| Workers compensation | | 11,778 | |
| 401(k) contributions | | 19,795 | |
| Telephone | | 2,376 | |
| Utilities | | 4,419 | |
| Maintenance and repairs | | 54,296 | |
| Animal Control | | 3,232 | |
| Automotive supplies | | 17,901 | |
| Supplies | | 6,289 | |
| Uniforms | | 5,825 | |
| Insurance and bonds | | 5,269 | |
| Miscellaneous Expense | | - | |
| Landfill expense | | 87,000 | |
| Recycling grant materials | | 94,989 | |
| Capital outlay | | 51,489 | |
| Total sanitation | <u>915,349</u> | <u>749,629</u> | <u>165,720</u> |
| Powell Bill: | | | |
| Professional services | | - | |
| Snow removal | | - | |
| Street repair | | 317,988 | |
| Capital outlay | | - | |
| Total Powell Bill | <u>318,488</u> | <u>317,988</u> | <u>500</u> |
| Total public works | <u>1,542,742</u> | <u>1,340,568</u> | <u>202,174</u> |
| Recreational: | | | |
| Recreation Facilities: | | | |
| Professional Services | | 1,200 | |
| Recreation commission | | 4,152 | |
| Departmental Supplies | | 1,682 | |
| Golden age club | | 6,000 | |
| Maintenance and repairs | | 4,621 | |
| Bond/Construction | | 3,338 | |
| Bond Debt | | 17,578 | |
| Miscellaneous Expense | | 54 | |
| Labor Day picnic | | - | |
| Capital Outlay | | - | |
| Total recreation facilities | <u>516,501</u> | <u>38,625</u> | <u>477,876</u> |
| Community Center: | | | |
| Utilities | | 12,631 | |
| Maintenance and repairs | | 5,608 | |
| Woodfin Community Center | | - | |
| Total community center | <u>25,000</u> | <u>18,239</u> | <u>6,761</u> |

TOWN OF WOODFIN, NORTH CAROLINA

GENERAL FUND

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

For the year ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|------------------|---------------------|------------------------------------|
| Community Outreach Program: | | | |
| Christmas Program | | 2,849 | |
| Community Program | | 26,745 | |
| Total community outreach program | <u>53,000</u> | <u>29,594</u> | <u>23,406</u> |
| Total recreational | <u>594,501</u> | <u>86,458</u> | <u>508,043</u> |
| Debt service: | | | |
| Principal retirement | | 263,537 | |
| Interest | | 7,992 | |
| Total debt service | <u>273,855</u> | <u>271,529</u> | <u>2,326</u> |
| Total expenditures | <u>5,239,095</u> | <u>4,337,958</u> | <u>901,137</u> |
| Revenues over (under) expenditures | <u>(349,714)</u> | <u>397,594</u> | <u>747,308</u> |
| Other Financing Sources (uses): | | | |
| Sales of capital assets | - | 16,842 | 16,842 |
| Loan proceeds | - | - | |
| Appropriations from fund balance | <u>349,714</u> | <u>(287,128)</u> | <u>(636,842)</u> |
| Total other financing sources | <u>349,714</u> | <u>(270,286)</u> | <u>(620,000)</u> |
| Revenues and other sources over expenditures | <u>\$ -</u> | <u>127,308</u> | <u>\$ 127,308</u> |
| Fund balance, beginning of year | | <u>2,932,949</u> | |
| Fund balance, end of year | | <u>\$ 3,060,257</u> | |

TOWN OF WOODFIN, NORTH CAROLINA
GREENWAY AND BLUEWAY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From inception and for the year ended June 30, 2020

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---|--------------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Proceeds from General Obligation Bonds | 4,500,000 | | | | |
| TDS-TPDA Grant | 1,400,000 | | | | |
| Public Grants | 2,493,000 | | | | |
| Private Foundation Grants | 290,000 | | | | |
| Individual and Corporate Donations | \$ 1,166,000 | \$ - | \$ - | \$ - | \$ 1,166,000 |
| Total revenues | 9,849,000 | - | - | - | 1,166,000 |
| Expenditures: | | | | | |
| Greenways Project | | | | | |
| Design | 318,580 | - | 3,555 | 3,555 | 315,025 |
| Acquisition | 37,480 | - | - | - | 37,480 |
| Construction costs | 1,068,180 | - | - | - | 1,068,180 |
| Contingency | 449,760 | - | - | - | 449,760 |
| Total Greenway Project | 1,874,000 | - | 3,555 | 3,555 | 1,870,445 |
| Silver-line Park | | | | | |
| Design | 250,000 | - | 214,167 | 214,167 | 35,833 |
| Construction costs | 1,848,000 | - | 25,485 | 25,485 | 1,822,515 |
| Contingency | 92,000 | - | - | - | 92,000 |
| Total Silver-line Park | 2,190,000 | - | 239,652 | 239,652 | 1,950,348 |
| Whitewater Wave | | | | | |
| Design | 382,000 | - | 13,095 | 13,095 | 368,905 |
| Construction costs | 1,262,000 | - | - | - | 1,262,000 |
| Contingency | 316,000 | - | - | - | 316,000 |
| Total Whitewater Wave | 1,960,000 | - | 13,095 | 13,095 | 1,946,905 |
| Waste Pro Site and Park | | | | | |
| Design | 250,000 | - | 16,659 | 16,659 | 233,341 |
| Acquisition | 500,000 | - | 4,203 | 4,203 | 495,797 |
| Construction costs | 1,950,000 | - | - | - | 1,950,000 |
| Contingency | 500,000 | - | - | - | 500,000 |
| Total Waste Pro Site and Park | 3,200,000 | - | 20,862 | 20,862 | 3,179,138 |
| Riverside Park | | | | | |
| Design | 100,000 | - | 9,964 | 9,964 | 90,036 |
| Construction costs | 400,000 | - | - | - | 400,000 |
| Contingency | 125,000 | - | - | - | 125,000 |
| Total Riverside Park | 625,000 | - | 9,964 | 9,964 | 615,036 |
| Total Expenditures | 9,849,000 | - | 287,128 | 287,128 | 9,561,872 |
| Revenues over (under) expenditures | - | - | (287,128) | (287,128) | 287,128 |
| Other financing sources: | | | | | |
| Transfers out to other funds | (287,128) | - | - | - | - |
| Transfers in from other funds | 287,128 | 84,095 | 287,128 | 371,223 | (84,095) |
| Total other financing sources | - | 84,095 | 287,128 | 371,223 | (84,095) |
| Revenues and other sources over (under) expenditures | \$ - | \$ 84,095 | - | \$ 84,095 | \$ 203,033 |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | 84,095 | | |
| End of year, June 30 | | | <u>\$ 84,095</u> | | |

ADDITIONAL FINANCIAL DATA

TOWN OF WOODFIN, NORTH CAROLINA

GENERAL FUND SCHEDULE OF AD VALOREM TAXES RECEIVABLE June 30, 2020

| Fiscal Year | Uncollected Balance 6/30/2019 | Additions | Collections And Credits | Uncollected Balance 6/30/2020 |
|--|-------------------------------------|---------------------|----------------------------|-------------------------------------|
| 2019-2020 | \$ - | \$ 2,958,468 | \$ 2,944,697 | \$ 13,771 |
| 2018-2019 | \$ 5,567 | (1,556) | 3,663 | 348 |
| 2017-2018 | 1,749 | - | 102 | 1,647 |
| 2016-2017 | 147 | - | 3 | 144 |
| 2015-2016 | 211 | - | - | 211 |
| 2014-2015 | 100 | - | 3 | 97 |
| 2013-2014 | 221 | (163) | 8 | 51 |
| 2012-2013 | 62 | 12 | 17 | 57 |
| 2011-2012 | 110 | - | 4 | 106 |
| 2010-2011 | 116 | - | - | 116 |
| 2009-2010 | 192 | - | 192 | - |
| | <u>8,475</u> | <u>\$ 2,956,761</u> | <u>\$ 2,948,689</u> | <u>16,548</u> |
| Less: allowance for uncollectible accounts General Fund | | | | <u>(427)</u> |
| Ad valorem taxes receivable, net | | | | <u>\$ 16,121</u> |
| <u>Reconcilement with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 2,801,822 |
| Reconciling items: | | | | |
| Buncombe County fees for current year collections | | | | - |
| Buncombe County Incremental Tax Payment (TIF) | | | | - |
| Ad valorem taxes from DMV | | | | 150,550 |
| Prepaid | | | | - |
| Other adjustments | | | | 2,386 |
| Taxes written off | | | | 180 |
| | | | | <u>2,954,938</u> |
| Less interest collected | | | | <u>(6,249)</u> |
| | | | | <u>\$ 2,948,689</u> |

TOWN OF WOODFIN, NORTH CAROLINA

GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
June 30, 2020

| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
|---|-----------------------|---------|---------------------|--|---------------------------------|
| Tax Levy: | | | | | |
| Property taxed at current | \$ 893,510,303 | 0.00330 | \$ 2,948,584 | \$ 2,798,046 | \$ 150,538 |
| Discoveries: | | | | | |
| Current year taxes | 18,155,152 | 0.00330 | 59,912 | 59,912 | - |
| Prior year taxes | | | - | - | - |
| Penalties | | | - | - | - |
| Less: Exemptions and releases | (15,160,000) | 0.00330 | (50,028) | (50,028) | - |
| Total Property Valuation | <u>\$ 896,505,455</u> | | | | |
| Net levy | | | 2,958,468 | 2,807,930 | 150,538 |
| Less uncollected taxes at June 30, 2020 | | | <u>13,771</u> | <u>13,771</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 2,944,697</u> | <u>\$ 2,794,159</u> | <u>\$ 150,538</u> |
| Current levy collection percentage | | | <u>99.53%</u> | <u>99.51%</u> | <u>100.00%</u> |

COMPLIANCE SECTION



**Ray,
Bumgarner,
Kingshill,**

& Assoc., P.A.

Certified Public Accountants

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Waynesville, NC 28786

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

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Woodfin, 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 accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Town of Woodfin, North Carolina, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprises the Town of Woodfin's basic financial statements, and have issued our report thereon dated September 30, 2020. Our report includes reference to financial statements of the Town of Woodfin ABC Board as described in our report on the Town of Woodfin's financial statements. The report does not include testing of internal control over financial reporting or compliance and other matters. The financial statements of the Town of Woodfin ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Woodfin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Woodfin'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 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 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 the internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control described in the accompanying schedule of findings and questioned costs (as finding 2020-001) that we consider to be significant

deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Woodfin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Woodfin's Response to Finding

The Town of Woodfin's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Ray, Bumgarner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
September 30, 2020

Section I. Summary of Auditor's Results

Town of Woodfin, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2020 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Due to the limited number of employees in the Town office, there are not enough employees to adequately segregate incompatible duties.

Effect: Because of the lack of segregation of duties, it is possible for an employee to conceal a transaction and cause the financial records to be misstated.

Cause: Budgetary limitations do not allow the hiring of additional employees.

Recommendation: Because it is neither practical nor cost-effective to hire additional employees, duties should be separated as much as possible, and alternative controls should be used to compensate for lack of segregation. The continued use of a contractual CPA to assist with reconciliations and bookkeeping functions is highly recommended. We also recommend that the governing board provide some of these controls by reviewing periodic financial reports and being involved in the Town's daily operations as much as possible.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan on page 61 of this audit report.



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Town of Woodfin, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2020 – 001 Segregation of Duties

Name of contact person: Eric Hardy, Town Administrator

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The new Finance Director is also taking steps to strengthen internal controls and will be more involved with the Town's finance functions. Further, the governing board will become more involved in providing some of these controls. Finally, the Town will continue to use the contractual services of a CPA on a monthly basis to assist with reconciliations and bookkeeping functions.

Proposed Completion Date: The Board will review financial reports and explore other processes to compensate for the lack of separation and will implement these procedures immediately.