

REVIEWED

By SLGFD at 11:53 am, Dec 22, 2021

**TOWN OF JEFFERSON
NORTH CAROLINA
AUDIT REPORT
JUNE 30, 2021**

Priscilla L. Norris, CPA

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TOWN OF JEFFERSON NORTH CAROLINA

TOWN COUNCIL MEMBERS

Bluford Eldreth, Mayor
Charles Caudill
Cathy Ballou
Mark Johnston
Wes Williams
Max Yates

ADMINISTRATIVE & FINANCIAL STAFF

Charity Shatley, Town Manager (as of 8/16/21)
Dan McMillan, Interim Town Manager & Tax Collector (4/26/21 to 8/16/21)
Cathy Howell, Town Manager & Tax Collector (through 4/26/21)
Kayla Jones, Finance Officer (as of 4/26/21)
Anna Brooks, Finance Officer (through 4/26/21)
Carol Winebarger, Deputy Tax Collector (as of 4/26/21)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jefferson, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Jefferson'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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jefferson as of June 30, 2021, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Local Government Employees' Retirement System's Schedules of Proportionate Share of Net Pension Asset and Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, 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 consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jefferson's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards 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 combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards 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 November 30, 2021, on our consideration of the Town of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jefferson's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Priscilla L. Norris". The signature is written in dark ink and is positioned above a horizontal line.

Priscilla L. Norris, CPA

Jefferson, NC

November 30, 2021

**TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

As management of the Town of Jefferson, we offer readers of the Town of Jefferson's financial statements this narrative overview and analysis of the financial activities of the Town of Jefferson for the fiscal year ended June 30, 2021. 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.

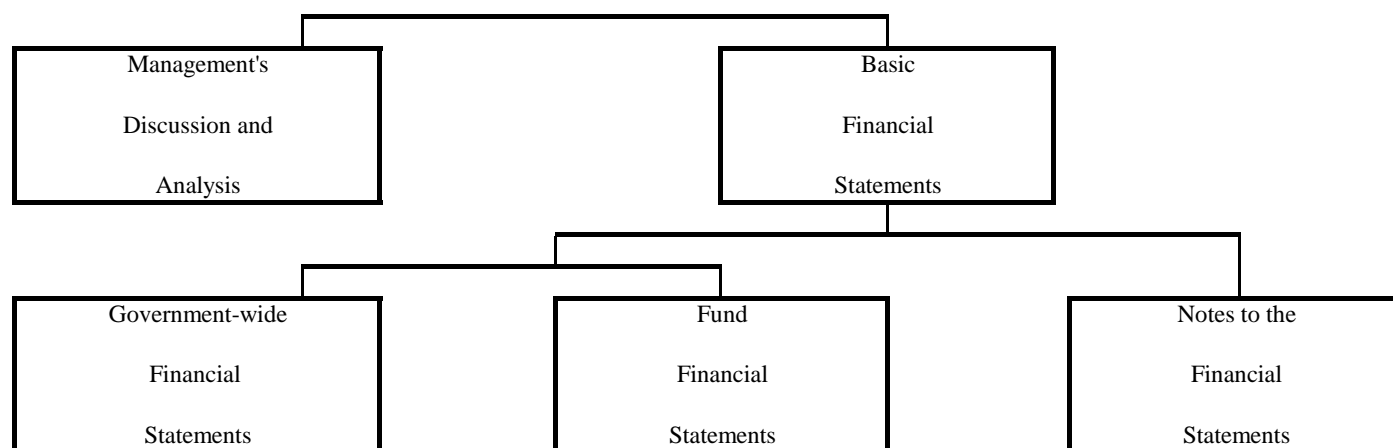
Financial Highlights

- * The assets (and deferred outflows of resources) of The Town of Jefferson exceeded its liabilities (and deferred inflows of resources) at the close of the fiscal year by \$14,782,686 (net position).
- * The government's total net position increased by \$258,244, which was due to increase in the governmental activities net position of \$98,176 plus an increase in business - type activities (water & sewer) of \$160,068.
- * As of the close of the current fiscal year, the Town of Jefferson's governmental funds reported combined ending fund balances of \$2,857,899, an increase of \$81,446 in comparison with the prior year. Approximately 76.29% of this total amount, or \$2,180,493, is available for spending at the government's discretion (unassigned fund balance).
- * At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,180,493 or 167.32% of total General Fund expenditures (\$1,303,178 excluding transfers out) for the fiscal year.
- * The Town had no debt this fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Jefferson'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 Jefferson.

**Required Components of Annual Financial Report
Figure 1**



Summary ----- Detail

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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

**TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

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

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

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him 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 Jefferson 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Notes to the Financial Statements - The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in Exhibit 9 of this report.

Interdependence with Other Entities - The Town of Jefferson 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 Jefferson Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,028,679	\$ 2,888,058	\$ 6,568,333	\$ 6,153,782	\$ 9,597,012	\$ 9,041,840
Capital assets	680,155	687,306	4,979,673	5,205,360	5,659,828	5,892,666
Deferred outflows of resources	206,495	171,706	83,440	78,789	289,935	250,495
Total assets and deferred outflows of resources	\$ 3,915,329	\$ 3,747,070	\$ 11,631,446	\$ 11,437,931	\$ 15,546,775	\$ 15,185,001
Long-term liabilities outstanding	\$ 429,327	\$ 400,986	\$ 127,825	\$ 108,527	\$ 557,152	\$ 509,513
Other liabilities	41,323	32,089	110,901	97,782	152,224	129,871
Deferred inflows of resources	53,683	21,175	1,030		54,713	21,175
Total liabilities and deferred inflows of resources	\$ 524,333	\$ 454,250	\$ 239,756	\$ 206,309	\$ 764,089	\$ 660,559
Net position:						
Net investment in capital assets	\$ 680,155	\$ 687,306	\$ 4,979,673	\$ 5,205,360	\$ 5,659,828	\$ 5,892,666
Restricted	239,485	202,679			239,485	202,679
Unrestricted	2,471,356	2,402,835	6,412,017	6,026,262	8,883,373	8,429,097
Total net position	\$ 3,390,996	\$ 3,292,820	\$ 11,391,690	\$ 11,231,622	\$ 14,782,686	\$ 14,524,442

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets (and deferred outflows of resources) of the Town of Jefferson exceeded liabilities (and deferred inflows of resources) by \$14,782,686, as of June 30, 2021. The Town's net position increased by \$258,244 for the fiscal year ended June 30, 2021. The largest portion (\$5,659,828 or 38.29%) of net position at June 30, 2021, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Jefferson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Jefferson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Jefferson's net position, \$239,485 (1.62%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,883,373 is unrestricted.

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

- * The governmental activities had an increase in net position of \$98,176.
- * No debt.
- * Increase in property tax revenue due to one cent rate increase.
- * The business type activities had an increase in net position of \$160,068, mostly due to a transfer-in from the General Fund.

**TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Town of Jefferson Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,280	\$ 2,162	\$ 869,208	\$ 877,993	\$ 870,488	\$ 880,155
Operating grants & contributions	172,521	57,405			172,521	57,405
Capital grants and contributions						
General revenues:						
Property taxes	667,160	621,112			667,160	621,112
Unrestricted intergovernmental	766,587	683,206			766,587	683,206
Grants and contributions not restricted to specific programs						
Other	25,814	45,921	20,154	63,271	45,968	109,192
Total revenues	\$ 1,633,362	\$ 1,409,806	\$ 889,362	\$ 941,264	\$ 2,522,724	\$ 2,351,070
Expenses:						
General government	\$ 352,505	\$ 296,323	\$ -	\$ -	\$ 352,505	\$ 296,323
Public safety	531,457	494,799			531,457	494,799
Highways/streets	307,168	281,383			307,168	281,383
Sanitation	121,017	115,988			121,017	115,988
Cultural and recreation	6,372	2,735			6,372	2,735
Education	16,667				16,667	
Water and sewer			929,294	884,575	929,294	884,575
Total expenses	\$ 1,335,186	\$ 1,191,228	\$ 929,294	\$ 884,575	\$ 2,264,480	\$ 2,075,803
Increase in net position before transfers	298,176	218,578	(39,932)	56,689	258,244	275,267
Transfers	(200,000)	(263,060)	200,000	263,060		-
Increase in net position	\$ 98,176	\$ (44,482)	\$ 160,068	\$ 319,749	\$ 258,244	\$ 275,267
Net position, July 1	3,292,820	3,337,302	11,231,622	10,911,873	14,524,442	14,249,175
Net position, June 30	\$ 3,390,996	\$ 3,292,820	\$ 11,391,690	\$ 11,231,622	\$ 14,782,686	\$ 14,524,442

Governmental activities: Governmental activities increase the Town's net position by \$98,176. This increase is compared to a decrease of \$44,482 in the previous year. Key elements of this increase are as follows:

- * Unrestricted intergovernmental revenues increased by \$83,381, and property tax revenues increased by \$46,048. The property tax rate increased by one cent.
- * Operating grants increased by \$115,116, which includes a Cares Act Grant of \$122,056.

Business-type activities: Business-type activities increased the Town of Jefferson's net position by \$160,068. This increase is compared to the prior year increase of \$319,749. There is a decrease in net position before transfers.

- * Revenues decreased by \$51,902, as expenses increased \$44,719.
- * The Town transferred \$200,000, as budgeted, which is a \$63,060 decrease from the prior year.

**TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Jefferson'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 Jefferson's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Jefferson. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,180,493, while total fund balance was \$2,664,512. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures, which are \$1,303,178. Unassigned fund balance represents 167.32 percent of total General Fund expenditures, while total fund balance represents 204.46 percent of that same amount.

At June 30, 2021, the governmental funds of the Town of Jefferson reported a combined fund balance of \$2,857,899, a 2.93 percent increase compared to last year. The fund balance in the General Fund increased by \$77,110, while non-major funds increased \$4,336 in total.

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

Revenues were more than budgeted because the Town received more intergovernmental revenues than expected. Expenditures held steady to comply with its budgetary requirements.

Proprietary Fund: The Town of Jefferson's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,412,017. The total change in net position was \$160,068. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Jefferson's business-type activities.

Capital Asset and Debt Administration

Capital assets: The Town of Jefferson's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$5,659,828 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions and deletions:

- * Additional construction in the new Police Department building
- * New Snow Plow for Street Department
- * New Tow behind Track Loader for the Street Department
- * No Disposals

**TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Town of Jefferson Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2021	2019	2021	2019	2021	2019
Land	\$ 170,200	\$ 170,200	\$ 215,245	\$ 215,245	\$ 385,445	\$ 385,445
Buildings and system	390,162	389,262	4,728,261	4,939,760	5,118,423	5,329,022
Improvements other than buildings	26,427	28,912			26,427	28,912
Machinery and equipment	36,529	11,958	30,334	38,694	66,863	50,652
Infrastructure						
Vehicles and motorized equipment	56,837	86,974	5,831	11,660	62,668	98,634
Construction in progress						
Total	\$ 680,155	\$ 687,306	\$ 4,979,671	\$ 5,205,359	\$ 5,659,826	\$ 5,892,665

Additional information on the Town's capital assets can be found in note III.A.3 and 6 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2021, the Town of Jefferson had no outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Jefferson is approximately \$12,000,000.

Additional information regarding the Town of Jefferson's long-term debt can be found in note III.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

The following are some of the components that have reflected the economic condition of the Town of Jefferson and prospects for the future.

- * The County's unemployment rate of 4.1% is slightly lower than the State average of 4.2% as of June 2021.
- * Childcare and virtual learning have taken a toll on employment rates in the County due to COVID-19.
- * COVID-19 did not affect Local Options Sales tax as anticipated.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

- * Fund balance will off-set the expenditures this year with a small tax increase of \$.01 resulting in anticipated total revenue of \$540,000. The Town will use these increases in revenues to finance programs currently in place.
- * Budgeted expenditures in the General Fund are expected to increase this fiscal year. The largest increments are in salaries, new vehicles, equipment and contracted services. Also, garbage collection had another increase.

Business-type Activities:

- * The water and sewer rates in the Town will not increase this year. The water and sewer departments also have some equipment maintenance and upgrades that will be highly recommended or required.

**TOWN OF JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Notable Budget Items

- * Purchase of 2 new Police Vehicles
- * Purchase of 1 new truck for Maintenance
- * Purchase of 1 new truck for Water Department
- * New computer equipment and networking for Administration
- * Capital improvements to Town Hall
- * Water Treatment Plant filtration measures
- * Contracted services for Interim Town Manager prior to Town Manager appointment

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 Manager, Town of Jefferson, PO Box 67, Jefferson, NC 28640.

TOWN OF JEFFERSON
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalent	\$ 2,643,731	\$ 6,437,103	\$ 9,080,834
Restricted Cash and Investments	83,920	73,150	157,070
Taxes Receivables (net)	114,986		114,986
Accrued Interest Receivable on Taxes	29,636		29,636
Account Receivable (net)		51,750	51,750
Due from Other Governments	152,610	10,126	162,736
Internal Balances	3,796	(3,796)	-
Total Current Assets	<u>3,028,679</u>	<u>6,568,333</u>	<u>9,597,012</u>
Capital Assets:			
Land, Non-Depreciable Improvements, and Construction in Progress	170,200	215,245	385,445
Other Capital Assets, Net of Depreciation	509,955	4,764,428	5,274,383
Total Capital Assets	<u>680,155</u>	<u>4,979,673</u>	<u>5,659,828</u>
Total Assets	<u>\$ 3,708,834</u>	<u>\$ 11,548,006</u>	<u>\$ 15,256,840</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	\$ 206,495	\$ 83,440	\$ 289,935
Total Deferred Outflows of Resources	<u>\$ 206,495</u>	<u>\$ 83,440</u>	<u>\$ 289,935</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	24,985	23,355	48,340
Customer Deposits		73,150	73,150
Compensated Absences	16,338	14,396	30,734
Long-term Liabilities:			
Net Pension Liability (LGRS)	201,636	127,825	329,461
Total Pension Liability (LEO)	227,691		227,691
Total Liabilities	<u>\$ 470,650</u>	<u>\$ 238,726</u>	<u>\$ 709,376</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	52,510	1,030	53,540
Prepaid Taxes	1,173		1,173
Total Deferred Inflows of Resources	<u>\$ 53,683</u>	<u>\$ 1,030</u>	<u>\$ 54,713</u>
NET POSITION			
Net Investment in Capital Assets	680,155	4,979,673	5,659,828
Restricted for:			
Transportation	12,554		12,554
Cultural and Recreation	70,466		70,466
Restricted for Stabilization by State Statute	156,465		156,465
Unrestricted	2,471,356	6,412,017	8,883,373
Total Net Position	<u>\$ 3,390,996</u>	<u>\$ 11,391,690</u>	<u>\$ 14,782,686</u>

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

TOWN OF JEFFERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 352,505	\$ 540	\$ -	\$ -	\$ (351,965)	\$ -	\$ (351,965)
Public Safety	531,457	240	122,056		(409,161)		(409,161)
Transportation	307,168		48,320		(258,848)		(258,848)
Environmental Protection	121,017		1,167		(119,850)		(119,850)
Cultural and Recreation	6,372	500	978		(4,894)		(4,894)
Education	16,667				(16,667)		(16,667)
Total Governmental Activities	\$ 1,335,186	\$ 1,280	\$ 172,521	\$ -	\$ (1,161,385)	\$ -	\$ (1,161,385)
Business-Type Activities:							
Water and Sewer	929,294	869,208				(60,086)	(60,086)
Total Business-Type Activities	929,294	869,208				(60,086)	(60,086)
Totals	\$ 2,264,480	\$ 870,488	\$ 172,521	\$ -	\$ (1,161,385)	\$ (60,086)	\$ (1,221,471)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					667,160		667,160
Unrestricted intergovernmental					766,587		766,587
Grants and contributions not restricted to specific programs							
Unrestricted investment earnings					8,153	20,154	28,307
Miscellaneous					17,661		17,661
Transfers					(200,000)	200,000	-
Total general revenues and transfers					1,259,561	220,154	1,479,715
Change in Net Position					98,176	160,068	258,244
Net Position - Beginning Restated					3,292,820	11,231,622	14,524,442
Net Position - Ending					\$ 3,390,996	\$ 11,391,690	\$ 14,782,686

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

TOWN OF JEFFERSON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 2,520,810	\$ 122,921	\$ 2,643,731
Restricted Cash & Investments	12,554	71,366	83,920
Receivables, Net:			
Taxes	114,986		114,986
Accounts			
Due from Other Governments	152,610		152,610
Due from Other Funds	3,855		3,855
Total Assets	<u>\$ 2,804,815</u>	<u>\$ 194,287</u>	<u>\$ 2,999,102</u>
LIABILITIES			
Due to Other Funds	\$ 59	\$ -	\$ 59
Accounts Payable & Accrued Liabilities	24,085	900	24,985
Total Liabilities	<u>\$ 24,144</u>	<u>\$ 900</u>	<u>\$ 25,044</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivable	\$ 114,986	\$ -	\$ 114,986
Prepaid Taxes	1,173		1,173
Total Deferred Inflows of Resources	<u>\$ 116,159</u>	<u>\$ -</u>	<u>\$ 116,159</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	\$ 156,465	\$ -	\$ 156,465
Streets - Powell Bill	12,554		12,554
Cemetery Maintenance		70,466	70,466
Assigned			
Capital Projects		122,921	122,921
Subsequent Year's Expenditures	315,000		315,000
Unassigned	2,180,493		2,180,493
Total Fund Balance	<u>\$ 2,664,512</u>	<u>\$ 193,387</u>	<u>2,857,899</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 2,804,815</u>	<u>\$ 194,287</u>	

TOWN OF JEFFERSON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total Fund Balances, Governmental Funds	\$ 2,857,899
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (net).	680,155
Deferred outflows of resources related to pensions are not reported in the funds.	206,495
Deferred inflows of resources related to pensions are not reported in the funds.	(52,510)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.	29,636
Liabilities for earned but deferred revenues in fund statements are recognized as revenue in the statements of net assets.	114,986
Some liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(16,338)
Long-term liabilities, such as net pension liability, used in governmental activities are not financial uses, and therefore are not reported in the funds.	(429,327)
Net position of governmental activities	<u>\$ 3,390,996</u>

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

TOWN OF JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 620,972	\$ -	\$ 620,972
Unrestricted Intergovernmental	766,587		766,587
Restricted Intergovernmental	171,543		171,543
Permits & Fees	780		780
Sales & Services		500	500
Investment Earnings	7,745	1,386	9,131
Miscellaneous	17,661		17,661
Total Revenues	<u>\$ 1,585,288</u>	<u>\$ 1,886</u>	<u>\$ 1,587,174</u>
Expenditures			
Current:			
General Governmental	\$ 351,868	\$ -	\$ 351,868
Public Safety	499,186		499,186
Transportation	310,618		310,618
Environmental Protection	121,017		121,017
Cultural & Recreational	3,822	2,550	6,372
Education	16,667		16,667
Capital Outlay			
Total Expenditures	<u>\$ 1,303,178</u>	<u>\$ 2,550</u>	<u>\$ 1,305,728</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 282,110</u>	<u>\$ (664)</u>	<u>\$ 281,446</u>
Other Financing Sources (Uses)			
Transfers from Other Funds		5,000	5,000
Transfer to Other Funds	(205,000)		(205,000)
Total Other Financing Sources (Uses)	<u>\$ (205,000)</u>	<u>\$ 5,000</u>	<u>\$ (200,000)</u>
Net Change in Fund Balances	\$ 77,110	\$ 4,336	\$ 81,446
Fund Balances:			
Beginning of Year, July 1	<u>\$ 2,587,402</u>	<u>\$ 189,051</u>	<u>\$ 2,776,453</u>
End of Year, June 30	<u><u>\$ 2,664,512</u></u>	<u><u>\$ 193,387</u></u>	<u><u>\$ 2,857,899</u></u>

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

TOWN OF JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

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

Net changes in fund balances - total governmental funds	\$	81,446
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 40,101	
Depreciation expense for governmental assets	<u>(47,252)</u>	(7,151)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		64,820
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Increase(Decrease) in unavailable revenue for tax revenues		33,279
Increase(Decrease) in accrued interest receivable on taxes		12,910
<p>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. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		-
<p>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.</p>		
Decrease(Increase) in compensated absences		4,994
Pension Expense		<u>(92,122)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>98,176</u>

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

EXHIBIT 5

TOWN OF JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 521,800	\$ 521,800	\$ 620,972	\$ 99,172
Unrestricted intergovernmental	435,000	435,000	766,587	331,587
Restricted intergovernmental	48,000	48,000	171,543	123,543
Permits and fees			780	780
Investment earnings	8,000	8,000	7,745	(255)
Miscellaneous			17,661	17,661
Total Revenues	<u>\$ 1,012,800</u>	<u>\$ 1,012,800</u>	<u>\$ 1,585,288</u>	<u>\$ 572,488</u>
Expenditures:				
Current:				
General government	\$ 392,476	\$ 392,476	\$ 351,868	\$ 40,608
Public safety	539,452	539,452	499,186	40,266
Transportation	390,422	390,422	310,618	79,804
Environmental protection	120,000	120,000	121,017	(1,017)
Cultural and recreational	10,500	10,500	3,822	6,678
Education	16,667	16,667	16,667	-
Contingency				
Total Expenditures	<u>1,469,517</u>	<u>1,469,517</u>	<u>1,303,178</u>	<u>166,339</u>
Revenues over (under) expenditures	<u>\$ (456,717)</u>	<u>\$ (456,717)</u>	<u>\$ 282,110</u>	<u>\$ 738,827</u>
Other financing sources (uses):				
Transfer to other funds	\$ (205,000)	\$ (205,000)	\$ (205,000)	\$ -
Appropriated fund balance	661,717	661,717		(661,717)
Total other financing sources (uses)	<u>\$ 456,717</u>	<u>\$ 456,717</u>	<u>\$ (205,000)</u>	<u>\$ (661,717)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,110</u>	<u>\$ 77,110</u>
Fund balances:				
Beginning of year July 1			2,587,402	
End of year June 30			<u>\$ 2,664,512</u>	

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

TOWN OF JEFFERSON, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 6,437,103
Cash and Cash Equivalents - Restricted	73,150
Accounts Receivable - Net	51,750
Due from Other Governments	10,126
Due from Other Funds	59
Total Current Assets	<u>\$ 6,572,188</u>

Noncurrent Assets:

Capital Assets - Net	\$ 4,979,673
Total Noncurrent Assets	<u>\$ 4,979,673</u>

Total Assets	<u><u>\$ 11,551,861</u></u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Deferrals	\$ 83,440
Total Deferred Outflows of Resources	<u><u>\$ 83,440</u></u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 23,355
Customer Deposits	73,150
Compensated Absences Payable	14,396
Due to Other Funds	3,855
Total Current Liabilities	<u>\$ 114,756</u>

Noncurrent Liabilities:

Net Pension Liabilities	127,825
Total Noncurrent Liabilities	<u>127,825</u>

Total Liabilities	<u><u>\$ 242,581</u></u>
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DEFERRED INFLOWS OF RESOURCES

Pension Deferrals	<u><u>\$ 1,030</u></u>
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NET POSITION

Net Investment in Capital Assets	\$ 4,979,673
Unrestricted	<u>6,412,017</u>
Total Net Position	<u><u>\$ 11,391,690</u></u>

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

EXHIBIT 7

TOWN OF JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>
Operating Revenues:	
Charges for Services	\$ 800,606
Other Operating Revenues	68,602
Total Operating Revenues	<u>\$ 869,208</u>
Operating Expenses:	
Water Department	\$ 361,412
Sewer Department	342,194
Depreciation	225,688
Total Operating Expenses	<u>\$ 929,294</u>
Operating Income (Loss)	<u>\$ (60,086)</u>
Non Operating Revenues (Expenses):	
Interest Income	\$ 20,154
Interest & Fees Expense	-
Total Non-Operating Revenues (Expenses)	<u>\$ 20,154</u>
Income (Loss) Before Transfers and Contributions	\$ (39,932)
Capital Contributions	\$ -
Transfers from Other Funds	<u>200,000</u>
Change in Net Position	\$ 160,068
Net Position, Beginning	<u>\$ 11,231,622</u>
Net Position, Ending	<u><u>\$ 11,391,690</u></u>

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

TOWN OF JEFFERSON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 824,816
Cash Paid for Goods and Services	(312,829)
Cash Paid to and on behalf of Employees	(367,357)
Customer Deposits Received	2,585
Customer Deposits Returned	(1,900)
Other Operating Revenues	68,602
Sales Tax Refund Received	
Net Cash Provided (Used) by Operating Activities	<u>\$ 213,917</u>
Cash Flow from Noncapital Financing Activities:	
Transfer in from General Fund	\$ 200,000
Decrease in Amount Due from General Fund	4,627
Increase in Amount due to General fund	3,855
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 208,482</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	\$ -
Capital Contributions	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>\$ 20,154</u>
Net Increase (Decrease) in Cash and Cash Equivalent	\$ 442,553
Cash and Cash Equivalents at Beginning of Year	6,067,700
Cash and Cash Equivalents at End of Year	<u><u>\$ 6,510,253</u></u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>\$ (60,086)</u>
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	\$ 225,688
Pension Expense	47,214
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	24,210
(Increase) Decrease in Due from Other Governments	(4,690)
Increase (Decrease) in Accounts Payable (operating only)	13,950
Increase (Decrease) in Customer Deposits	685
Increase (Decrease) in Compensated Absences Payable	(1,516)
Current Year Contributions to Pension	(31,538)
Total Adjustments	<u>\$ 274,003</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 213,917</u></u>
Noncash investing, capital and financing:	<u><u>\$ -</u></u>

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

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Jefferson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Jefferson is a municipal corporation which is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Other non-operating revenues are ancillary activities such as investment earnings.

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 administration, public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

Cemetery Special Revenue Fund - This fund is used to account for the care of the municipal cemetery.

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Capital Projects Fund - This fund accounts for the accumulation of funds to finance future capital projects.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Funds Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. No exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value 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.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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 because the tax is levied by Ashe County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by 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, the Special Revenue Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10% of appropriated monies for the function being reduced. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value as determined by quoted market prices. Currently the Town's only investments are money markets and certificates of deposits, which are all time deposits.

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2. Cash and Cash Equivalents

The Town has several cash accounts from which it makes disbursement and to diversify investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Jefferson Restricted Cash

Governmental Activities

General Fund

Streets	\$ 12,554
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Cemetery Fund

Cemetery Maintenance	71,366
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Total Governmental Activities	\$ 83,920
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Business-type Activities

Water and Sewer Fund

Customer Deposits	\$ 73,150
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Total Business-type Activities	\$ 73,150
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Total Restricted Cash	\$ 157,070
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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. Inventories

The inventories of the Town's General Fund consist of expendable supplies that are recorded as expenditures when purchased. Inventories in the enterprise fund are considered immaterial and, therefore, are recorded as expenditures when purchased.

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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 \$5,000 for furniture, computer software, equipment, vehicles, buildings, improvements, and infrastructure. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5
Furniture and equipment	10
Computer equipment	3
Computer software	5
Water & sewer systems	25

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 one item that meets this criterion, contributions made to the pension plan in the 2021 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 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 three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statements 68 and 73.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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10. Compensated Absences

The vacation policy of the Town is to assign vacation days at the beginning of the calendar year, which must be fully used by the end of that calendar year. Any vacation balance remaining at the end of the calendar year is paid out to the employee. The Town's liability for accumulated earned vacation as of the end of the fiscal year is recorded in the government-wide and proprietary fund financial statements on a FIFO basis, and is considered to be current.

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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 net investment 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town's nonspendable fund balance is zero at year end.

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 know 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 restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaid 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 Cemetery Maintenance - portion of fund balance restricted by donors for cemetery maintenance.

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

Assigned Fund Balance - portion of fund balance that Town of Jefferson intends to use for specific purposes.

Assigned for Capital Projects - portion of fund balance that has been budgeted by the governing body for future capital projects.

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

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

The Town of Jefferson has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city 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.

12. Defined Benefit Cost - Sharing Plans

For purposes of measuring the net pension asset, 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 Jefferson's employer contributions are recognized when due and the Town of Jefferson 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess Expenditures Over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Environmental Protection by \$1,017. This over-expenditure occurred because of a minor increase in the garbage collection contract. The interim manager did not discover this error in time to make a budget amendment for it. The new Town manager is aware, and will more closely review budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated

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Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$9,237,704 and a bank balance of \$9,247,350. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021 the Town's petty cash fund totaled \$200.

2. Receivables - Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>6/30/2021</u>
Enterprise Fund	\$ 4,480
General Fund - Taxes Receivable	27,600
Total	<u>\$ 32,080</u>

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 170,200	\$ -	\$ -	\$ 170,200
Construction in progress				
Total capital assets not being depreciated	<u>\$ 170,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,200</u>
Capital assets being depreciated:				
Building	\$ 603,274	\$ 12,000	\$ -	\$ 615,274
Other improvements	49,705			49,705
Equipment	365,298	28,101		393,399
Vehicles and motorized equipment	474,960		-	474,960
Infrastructure				
Total capital assets being depreciated	<u>\$ 1,493,237</u>	<u>\$ 40,101</u>	<u>\$ -</u>	<u>\$ 1,533,338</u>

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Less accumulated depreciation for:

Building	\$ 214,012	\$ 11,100	\$ -	\$ 225,112
Other improvements	20,793	2,485		23,278
Equipment	353,340	3,530		356,870
Vehicles and motorized equipment	387,986	30,137		418,123
Infrastructure				
Total accumulated depreciation	976,131	47,252	-	1,023,383
Total capital assets being depreciated, net	517,106			509,955
Governmental activity capital assets, net	<u>\$ 687,306</u>			<u>\$ 680,155</u>

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

General government	\$ 1,825
Public safety	25,628
Transportation	19,799
Cultural and recreational	
Total depreciation expense	<u>\$ 47,252</u>

Business-type activities:***Water and Sewer Fund*****Capital assets not being depreciated:**

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 215,245	\$ -	\$ -	\$ 215,245
Construction in progress				
Total capital assets not being depreciated	<u>\$ 215,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,245</u>

Capital assets being depreciated:

Plant and distribution systems	\$ 10,450,708	\$ -	\$ -	\$ 10,450,708
Vehicles and equipment	345,551			345,551
Total capital assets being depreciated	<u>\$ 10,796,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,796,259</u>

Less accumulated depreciation for:

Plant and distribution systems	5,510,948	211,499	-	5,722,447
Vehicles and equipment	295,197	14,189		309,386
Total accumulated depreciation	<u>\$ 5,806,145</u>	<u>\$ 225,688</u>	<u>\$ -</u>	<u>\$ 6,031,833</u>
Total capital assets being depreciated, net	4,990,114			4,764,426
Business-type activities capital assets, net	<u>\$ 5,205,359</u>			<u>\$ 4,979,671</u>

Construction commitments

The government has no active construction projects as of June 30, 2021.

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Governmental Employees' Retirement System**

Plan Description. The Town of Jefferson 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 governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent,

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who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor'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 Jefferson 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 Jefferson's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the Town of Jefferson were \$81,273 for the year ended June 30, 2021.

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 Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$329,470 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The

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Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00922% which was a decrease of 0.000890% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$122,692. At June 30, 2021, 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	\$ 41,606	\$ -
Changes of assumptions	24,519	
Net difference between projected and actual earnings on pension plan investments	46,364	
Changes in proportion and differences between Town contributions and proportionate share of contributions	21,291	2,656
Town contributions subsequent to the measurement date	81,287	
Total	<u>\$ 215,067</u>	<u>\$ 2,656</u>

The \$81,287 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 39,343
2023	48,774
2024	29,285
2025	13,721
2026	
Thereafter	<u>\$ 131,123</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial

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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 rate 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%	

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 statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 668,458	\$ 329,470	\$ 47,747

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Jefferson 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	5
Total	<u>6</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 which are outlined in GASB Statements 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The Discount rate is based on the S&P Municipal Bond 20 year High Grade Rate Index.

Mortality rates are based on Pub -2010 amount-weighted tables, projected forward generationally with scale MP-2019.

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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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to 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. Benefits paid for the reporting period were \$15,070.

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

At June 30, 2021 the Town reported a total liability of \$227,691. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$16,597.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,515	\$ 47,420
Changes of assumptions	41,823	3,465
Benefits payments and plan administrative expense made subsequent to the measurement date	7,535	-
Total	<u>\$ 74,873</u>	<u>\$ 50,885</u>

The amount of \$7,535 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 16,017	\$ 13,281
2023	15,172	12,386
2024	14,214	9,951
2025	14,214	7,522
2026	7,518	7,522
Thereafter	203	223
Total	<u>\$ 67,338</u>	<u>\$ 50,885</u>

Sensitivity of the towns total pension liability to changes in the discount rate. The following presents the Towns total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 247,120	\$ 227,691	\$ 210,155

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

	2021
Beginning balance	\$ 233,420
Service cost	6,497
Interest on the total pension liability	7,364
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(45,355)
Changes of assumptions or other inputs	40,835
Benefit payments	(15,070)
Other changes	-
Ending balance of total pension liability	<u>\$ 227,691</u>

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 studies that cover significant portions of the U.S. population. The health mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employee's Retirement System for the five year period ending December 31, 2019.

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

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

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 122,692	\$ 16,597	\$ 139,289
Pension Liability	329,470	227,691	557,161
Proportionate share of the net pension liability	0.00922%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 41,606	\$ 25,515	\$ 67,121
Changes of assumptions	24,519	41,823	66,342
Net difference between projected and actual earnings on plan investments	46,364	-	46,364
Changes in proportion and differences between contributions and proportionate share of contributions	21,291	-	21,291
Benefit payments and administrative costs paid subsequent to the measurement date	81,287	7,535	88,822
Total Deferred Outflows	<u>\$ 215,067</u>	<u>\$ 74,873</u>	<u>\$ 289,940</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	-	47,420	47,420
Changes of assumptions		3,465	3,465
Net difference between projected and actual earnings on plan investments			
Changes in proportion and differences between contributions and proportionate share of contributions	2,656	-	2,656
Total Deferred Inflows	<u>\$ 2,656</u>	<u>\$ 50,885</u>	<u>\$ 53,541</u>

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$16,927, which consisted of \$12,143 from the Town and \$4,784 from the law enforcement officers. General employees may make voluntary contributions to this plan also. Those voluntary contributions for the year ended June 30, 2021 were \$8,770.

d. Other Postemployment Benefits

Health Care Benefits

Plan Description. Under the terms of a Town resolution, effective December 1, 2018 the Town administers a single - employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has 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 75.

Benefits Provided. The Town pays the full cost of coverage for employees' benefits through private insurers for those employees who retire with a minimum of 20 years of creditable service and have reached age 60. For those employees who retire with at least 15 years of creditable service and have reached age 60 the Town will pay half of the cost of health benefits. Coverage will continue until the retiree is eligible for Medicare. The Town Board may amend the benefit provisions. A separate report was not issued for the plan, as the board has not finalized the plan as of June 30, 2021. Therefore, no amounts are reported for June 30, 2021.

e. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>
Contributions to pension plan in current fiscal year (LGERS)	\$ 81,287
Benefit payments made for LEOSSA subsequent to measurement date	7,535
Differences between expected and actual experience	67,121
Changes of assumptions	66,342
Net difference between projected and actual earnings on pension plan investments	46,364
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,291
Total	<u>\$ 289,940</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 1,173	\$ 1,173
Taxes receivable, less penalties (General Fund)		114,986
Changes in assumptions (LEO)		
Differences between expected and actual experience (LGERS)		
Changes in proportion and differences between employer contributions and proportionate share of contributions (LEO)	53,541	
Total	<u>\$ 54,714</u>	<u>\$ 116,159</u>

3. Commitments

The Town gives credit to Mountain View School for one-half of its water and sewer charges to repay the Ashe County Board of Education for its help in constructing water and sewer lines to the school. The credit allowed for the fiscal year ended June 30, 2021 was \$3,305, which is lower than the prior year, mainly because of lower consumption at the school due to COVID-19. The total balance remaining is \$211,375.

4. 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 accountants, and the audited financial statements are available to the Town upon request.

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

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

years. The Town does not currently carry flood insurance due to lack of feasibility.

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's finance officer is bonded for \$50,000 and Town manager (tax collector) is bonded for \$25,000.

5. Long Term Debt Obligations

a. General Obligation Indebtedness

The Town currently has no general obligation bonds.

b. Installments Purchases

The Town currently has no installment purchases outstanding.

c. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Amount
Governmental activities:					
Compensated absences	\$ 21,282	\$ 16,079	\$ 21,023	\$ 16,338	\$ 16,338
Net pension liability (LGRS)	167,566	34,070	-	201,636	-
Total pension liability (LEO)	233,420		5,729	227,691	-
Gov. activities long-term liabilities	<u>\$ 422,268</u>	<u>\$ 50,149</u>	<u>\$ 26,752</u>	<u>\$ 445,665</u>	<u>\$ 16,338</u>
Business-type activities:					
Compensated absences	\$ 15,913	\$ 15,586	\$ 17,103	\$ 14,396	\$ 14,396
Net pension liability (LGRS)	108,527	19,298	-	127,825	-
Bus-type activity long-term liabilities	<u>\$ 124,440</u>	<u>\$ 34,884</u>	<u>\$ 17,103</u>	<u>\$ 142,221</u>	<u>\$ 14,396</u>

Compensated absences typically have been liquidated.

C. Interfund Balances and Activity

Balances Due to/from Other Funds:

Balances due to/from other funds at June 30, 2021, consist of the following:

From the General Fund to the Water and Sewer Fund for expenditure reimbursement	\$ 59
From the Water and Sewer Fund to the General Fund for payroll tax reimbursement	3,855
	<u>\$ 3,914</u>

Transfers to/from Other Funds:

Transfers to/from other funds at June 30, 2021, consist of the following:

From the General Fund to the Water and Sewer Fund for operations	\$ 200,000
From the General Fund to the Capital Projects Fund for future use	5,000
Total	<u>\$ 205,000</u>

TOWN OF JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

D. 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	\$ 2,664,512
Less:	
Stabilization by State Statute	156,465
Streets - Powell Bill	12,554
Appropriated Fund Balance in 2022 budget	315,000
Remaining Fund Balance	2,180,493

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

V. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued - November 30, 2021

TOWN OF JEFFERSON, NORTH CAROLINA
TOWN OF JEFFERSON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Jefferson's proportion of the net pension liability (asset) (%)	0.00922%	0.01011%	0.00825%	0.00870%	0.00955%	0.00907%	0.00942%	0.00950%
Jefferson's proportion of the net pension liability (asset) (\$)	\$ 329,470	\$ 276,096	\$ 195,718	\$ 132,912	\$ 202,683	\$ 40,706	\$ (51,991)	\$ 114,511
Jefferson's covered-employee payroll	\$ 760,789	\$ 762,434	\$ 714,100	\$ 707,485	\$ 676,541	\$ 650,957	\$ 691,927	\$ 657,562
Jefferson's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	43.31%	36.21%	27.41%	18.79%	29.96%	6.25%	(8.03%)	17.41%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	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 JEFFERSON, NORTH CAROLINA
TOWN OF JEFFERSON'S PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 81,273	\$ 69,943	\$ 60,870	\$ 54,998	\$ 52,744	\$ 45,940	\$ 46,530	\$ 48,732
Contributions in relation to the contractually required contribution	81,273	69,943	60,870	54,998	52,744	45,940	46,530	48,732
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Jefferson's covered-employee payroll	\$ 783,323	\$ 760,789	\$ 762,434	\$ 714,100	\$ 707,485	\$ 676,541	\$ 650,957	\$ 691,927
Contributions as a percentage of covered-employee payroll	10.38%	9.19%	7.98%	7.70%	7.46%	6.79%	7.15%	7.04%

TOWN OF JEFFERSON, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 233,420	\$ 188,240	\$ 204,344	\$ 190,157	\$ 180,338
Service Cost	6,497	8,274	7,092	6,847	7,237
Interest On The Total Pension Liability	7,364	6,578	6,466	7,340	6,438
Changes of Benefit Terms			-	-	-
Differences Between Expected And Actual Experience					
In The Measurement Of The Total Pension Liability	(45,355)	37,961	(18,799)	-	-
Changes Of Assumptions Or Other Inputs	40,835	7,437	(720)	-	(3,856)
Benefit Payments	(15,070)	(15,070)	(10,143)	-	-
Other Changes			-	-	-
Ending Balance Of The Total Pension Liability	<u>\$ 227,691</u>	<u>\$ 233,420</u>	<u>\$ 188,240</u>	<u>\$ 204,344</u>	<u>\$ 190,157</u>

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

TOWN OF JEFFERSON, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 227,691	\$ 233,420	\$ 188,240	\$ 204,344	\$ 190,157
Covered Payroll	224,245	270,716	201,169	194,936	200,919
Total Pension Liability as a Percentage of Covered Payroll	101.54%	86.22%	93.57%	104.83%	94.64%

Notes to the schedules:

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

TOWN OF JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Ad Valorem Taxes:			
Current Year	\$ 521,000	\$ 595,905	\$ 74,905
Prior Years	300	20,502	20,202
Penalties and Interest	500	4,565	4,065
Total	<u>\$ 521,800</u>	<u>\$ 620,972</u>	<u>\$ 99,172</u>
Unrestricted Intergovernmental Revenues:			
Local Option Sales Tax	\$ 350,000	\$ 606,106	\$ 256,106
Telecommunications Tax		3,285	3,285
Utility Franchise Tax	85,000	136,883	51,883
Piped Natural Gas Tax		5,724	5,724
Video Franchise Fee		8,038	8,038
Beer & Wine Excise Tax		6,551	6,551
Total	<u>\$ 435,000</u>	<u>\$ 766,587</u>	<u>\$ 331,587</u>
Restricted Intergovernmental Revenues:			
Federal Grant	\$ -	\$ 122,056	\$ 122,056
Solid Waste Disposal Tax		1,167	1,167
Powell Bill Allocation	48,000	48,320	320
Total	<u>\$ 48,000</u>	<u>\$ 171,543</u>	<u>\$ 123,543</u>
Permits and Fees:			
Street Assessments	\$ -	\$ -	\$ -
Permits		540	540
Police Officers Fees		240	240
Total	<u>\$ -</u>	<u>\$ 780</u>	<u>\$ 780</u>
Investment Earnings	<u>\$ 8,000</u>	<u>\$ 7,745</u>	<u>\$ (255)</u>
Miscellaneous	<u>\$ -</u>	<u>\$ 17,661</u>	<u>\$ 17,661</u>
Total Revenues	<u>\$ 1,012,800</u>	<u>\$ 1,585,288</u>	<u>\$ 572,488</u>
Expenditures:			
General Government			
Administration			
Salaries & Benefits	\$ -	\$ 251,078	\$ -
Operating Expenses		100,790	
Capital Outlay			
Total General Government	<u>\$ 392,476</u>	<u>\$ 351,868</u>	<u>\$ 40,608</u>

TOWN OF JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Police			
Salaries & Benefits	\$ -	\$ 412,434	\$ -
Operating Expenses		64,752	
Capital Outlay		12,000	
Total	\$ 529,452	\$ 489,186	\$ 40,266
Fire			
Contributions to Jefferson Volunteer Fire Department	\$ 10,000	\$ 10,000	\$ -
Total Public Safety	\$ 539,452	\$ 499,186	\$ 40,266
Transportation:			
Street Repairs & Construction			
Salaries & Benefits	\$ -	\$ 83,939	\$ -
Repairs & Maintenance		77,197	
Utilities		54,766	
Other Operating Expenses		23,808	
Capital Outlay		28,119	
Total	\$ 314,372	\$ 267,829	\$ 46,543
Powell Bill Expenditures			
Salaries & Benefits	\$ -	\$ 37,480	\$ -
Operating Expenses		5,309	
Capital Outlay		-	
Total	\$ 76,050	\$ 42,789	\$ 33,261
Total Transportation	\$ 390,422	\$ 310,618	\$ 79,804
Environmental Protection			
Sanitation			
Recycle	\$ -	\$ 38,422	\$ -
Garbage Collection Contract		82,595	
Property Condemnation			
Total Environmental Protection	\$ 120,000	\$ 121,017	\$ (1,017)
Cultural & Recreational			
Contribution to Arts Council	\$ -	\$ -	\$ -
Town Beautification		3,822	
Total Cultural & Recreational	\$ 10,500	\$ 3,822	\$ 6,678
Education			
Contribution to WCC Building	\$ 16,667	\$ 16,667	\$ -
Total Education	\$ 16,667	\$ 16,667	\$ -
Total Expenditures	\$ 1,469,517	\$ 1,303,178	\$ 166,339
Revenues Over (Under) Expenditures	\$ (456,717)	\$ 282,110	\$ 738,827

TOWN OF JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):			
Contribution to Water & Sewer Fund	\$ (200,000)	\$ (200,000)	\$ -
Contribution to Capital Projects Fund	(5,000)	(5,000)	
Fund Balance Appropriated	661,717		(661,717)
Total Other Financing Sources (Uses)	<u>\$ 456,717</u>	<u>\$ (205,000)</u>	<u>\$ (661,717)</u>
 Excess of Revenues and Other Sources Over Expenditures and Other Uses	 <u>\$ -</u>	 <u>\$ 77,110</u>	 <u>\$ 77,110</u>
 Fund Balance			
Beginning of Year, July 1		<u>2,587,402</u>	
End of Year, June 30		<u>\$ 2,664,512</u>	

TOWN OF JEFFERSON, NORTH CAROLINA
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Cemetery Fund	Capital Project Fund	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ -	\$ 122,921	122,921
Cash and Cash Equivalents - Restricted	71,366		71,366
Total Assets	\$ 71,366	\$ 122,921	\$ 194,287
Liabilities and Fund Balance			
Accounts Payable	\$ 900	\$ -	\$ 900
Fund Balances:			
Restricted:			
Cemetery Maintenance	70,466		70,466
Assigned:			
Capital Projects		122,921	122,921
Total Fund Balance	\$ 70,466	\$ 122,921	\$ 193,387
Total Liabilities and Fund Balances	\$ 71,366	\$ 122,921	\$ 194,287

TOWN OF JEFFERSON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Cemetery Fund	Capital Projects Fund	Total Non-Major Governmental Funds
Revenues:			
Sale of Plots	\$ 500	\$ -	\$ 500
Investment Earnings	978	408	1,386
Contributions	-		-
Total	<u>\$ 1,478</u>	<u>\$ 408</u>	<u>\$ 1,886</u>
Expenditures:			
General Government:			
Administration	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cultural & Recreational:			
Grounds Maintenance	\$ 2,550	\$ -	\$ 2,550
Other			
Total Cultural & Recreational	<u>\$ 2,550</u>	<u>\$ -</u>	<u>\$ 2,550</u>
Total Expenditures	<u>\$ 2,550</u>		<u>\$ 2,550</u>
Revenues Over (Under) Expenditures	\$ (1,072)	\$ 408	\$ (664)
Other Financing Sources (Uses)			
Transfer In		<u>5,000</u>	<u>5,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ (1,072)	\$ 5,408	\$ 4,336
Fund Balance:			
Beginning of Year, July 1	<u>71,538</u>	<u>117,513</u>	<u>189,051</u>
End of Year, June 30	<u><u>\$ 70,466</u></u>	<u><u>\$ 122,921</u></u>	<u><u>\$ 193,387</u></u>

EXHIBIT D-1

TOWN OF JEFFERSON, NORTH CAROLINA
SPECIAL REVENUE - CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Sale of Plots	\$ -	\$ 500	500
Investment Earnings	5	978	973
Contributions			-
Total	<u>\$ 5</u>	<u>\$ 1,478</u>	<u>\$ 1,473</u>
Expenditures:			
Cultural & Recreational:			
Grounds Maintenance	\$ -	\$ 2,550	\$ -
Other			
Total	<u>\$ 4,500</u>	<u>\$ 2,550</u>	<u>\$ 1,950</u>
Revenues Over (Under) Expenditures	\$ (4,495)	\$ (1,072)	\$ 3,423
Other Financing Sources (Uses)			
Appropriated Fund Balance	<u>4,495</u>		<u>(4,495)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	\$ (1,072)	<u>\$ (1,072)</u>
Fund Balance:			
Beginning of Year, July 1		<u>71,538</u>	
End of Year, June 30		<u>\$ 70,466</u>	

TOWN OF JEFFERSON, NORTH CAROLINA
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Interest	\$ -	\$ 408	\$ 408
Total Revenue	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 408</u>
Expenditures:			
General Government			
Administration:			
Building Improvements	\$ 5,000	\$ -	\$ 5,000
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures:	\$ -	\$ 408	\$ 408
Other Financing Sources (Uses):			
Transfer from General Fund	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Excess of Revenues & Other Sources Over Expenditures & Other Uses	<u>\$ 5,000</u>	5,408	<u>\$ 408</u>
Fund Balance:			
Beginning of Year, July 1		117,513	
End of Year, June 30		<u>\$ 122,921</u>	

TOWN OF JEFFERSON, NORTH CAROLINA
ENTERPRISE - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Service			
Water Charges	\$ 410,000	\$ 496,008	\$ 86,008
Sewer Charges	220,000	294,022	74,022
Water & Sewer Taps	1,000	9,126	8,126
Availability Fees	-	1,450	1,450
Total Charges for Service	<u>\$ 631,000</u>	<u>\$ 800,606</u>	<u>\$ 169,606</u>
Other Operating Revenues:			
Sales of Equipment	\$ -	\$ -	\$ -
Miscellaneous	28,000	68,602	40,602
Total Other Operating Revenues	<u>\$ 28,000</u>	<u>\$ 68,602</u>	<u>\$ 40,602</u>
Total Operating Revenues	<u>\$ 659,000</u>	<u>\$ 869,208</u>	<u>\$ 210,208</u>
Non Operating Revenue:			
Interest on Investments	<u>38,400</u>	<u>20,154</u>	<u>(18,246)</u>
Total Revenues	<u>\$ 697,400</u>	<u>\$ 889,362</u>	<u>\$ 191,962</u>
Expenditures:			
Water Department:			
Salaries & Benefits	\$ -	\$ 190,989	\$ -
Utilities		40,959	
Repair & Maintenance		35,586	
Other Operating Expenses		86,732	
Capital Outlay		-	
Total	<u>\$ 439,450</u>	<u>\$ 354,266</u>	<u>\$ 85,184</u>
Sewer Department:			
Salaries & Benefits	\$ -	\$ 176,368	\$ -
Utilities		64,617	
Repair & Maintenance		22,517	
Other Operating Expenses		71,677	
Capital Outlay		-	
Total	<u>\$ 469,600</u>	<u>\$ 335,179</u>	<u>\$ 134,421</u>

TOWN OF JEFFERSON, NORTH CAROLINA
ENTERPRISE - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Contingency	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Expenditures	 <u>\$ 909,050</u>	 <u>\$ 689,445</u>	 <u>\$ 219,605</u>
Revenues Over/Under Expenditures	<u>(211,650)</u>	<u>199,917</u>	<u>411,567</u>
Other Financing Sources (Uses):			
Transfers In	200,000	200,000	-
Capital Contributions			
Fund Balance Appropriated	11,650		(11,650)
Total Other Fin. Sources. (Uses)	<u>\$ 211,650</u>	<u>\$ 200,000</u>	<u>\$ (11,650)</u>
Rev. & Other Sources Over (Under)			
Expenditures and Other Uses	<u>\$ (423,300)</u>	<u>\$ 399,917</u>	<u>\$ 823,217</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
(Increase) Decrease in Compensated Absences Payable		\$ 1,516	
Increase(Decrease) in Deferred Outflows of Resources-			
Pensions		4651	
(Increase)Decrease in Net Pension Liability		(19,298)	
(Increase) Decrease in Deferred Inflows of Resources -		(1,030)	
Pensions			
Capital Outlay (not Including Capital Projects)		-	
Depreciation		(225,688)	
Total Reconciling Items		<u>\$ (239,849)</u>	
Change in Net Position		<u>\$ 160,068</u>	

EXHIBIT E-1

TOWN OF JEFFERSON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-21	\$ -	\$ 646,245	\$ 603,384	\$ 42,861
2019-20	37,768		15,461	22,307
2018-19	21,316		2,956	18,360
2017-18	14,110		1,203	12,907
2016-17	10,838		1,276	9,562
2015-16	7,340		527	6,813
2014-15	10,495		235	10,260
2013-14	11,455		50	11,405
2012-13	4,481		52	4,429
2011-12	3,732		50	3,682
2010-11	2,973		2,973	-
	<u>\$ 124,508</u>	<u>\$ 646,245</u>	<u>\$ 628,167</u>	<u>\$ 142,586</u>

Less allowance for uncollectible ad valorem taxes receivable	(27,600)
Ad Valorem taxes receivable - net	<u>\$ 114,986</u>

Reconciliation with Revenues:

Taxes - Ad Valorem - General Fund	\$ 620,972
Discount Allowed	4,624
Tax Collection Fees	3,273
Adjustments	933
Interest Collected	(4,565)
Amounts written off for tax year per statute of limitations	<u>2,930</u>
Total Collections and Credits	<u>\$ 628,167</u>

TOWN OF JEFFERSON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN - WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 159,176,309	0.40	\$ 636,697	\$ 596,664	\$ 40,033
Property taxed at prior year's rate	3,671,828	0.39	14,320		14,320
Total	\$ 162,848,137		\$ 651,017	\$ 596,664	\$ 54,353
Discoveries:					
Current year taxes	\$ 195,020	0.40	\$ 757	\$ 757	\$ -
Abatements	(1,382,261)	0.40	(5,529)	(5,529)	
Total property valuation	<u>\$ 161,660,896</u>				
Net levy			\$ 646,245	\$ 591,892	\$ 54,353
Uncollected taxes at June 30, 2021			(42,861)	(42,861)	-
Current year's taxes collected			<u>\$ 603,384</u>	<u>\$ 549,031</u>	<u>\$ 54,353</u>
Current levy collection percentage			<u>93.37%</u>	<u>92.76%</u>	<u>100.00%</u>

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Report On Internal Control Over Financial Reporting and on Compliance and other Matters Based On An Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jefferson, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Jefferson's basic financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Jefferson's internal control over financial reporting (internal control) as a basis for designing 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 Jefferson'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 internal control was for the limited the purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jefferson'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 Jefferson's Response to Findings

The Town of Jefferson's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.

A handwritten signature in cursive script that reads "Priscilla L. Norris". The signature is written in dark ink and is positioned above a horizontal line.

Priscilla L. Norris, CPA

Jefferson, NC

November 30, 2021

TOWN OF JEFFERSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section 1. Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X no
- Significant deficiency(s) identified that are
not considered to be material weakness? X yes no
- Noncompliance material to financial statements noted? yes X no

Section II. Financial Statement Findings

2021-1 Inadequate design of internal control over the preparation of financial statements:

The Town of Jefferson has had a lot of change in administration during the last few months of FY 20/21. The Town Manager retired, the Finance Officer resigned due to medical reasons, and new software was put in place for general ledger and utility billing. An interim manager was in place at June 30, 2021. Given these changes, neither management nor finance staff had the knowledge or experience to prepare the Town's financial statements as of June 30, 2021, in accordance with generally accepted accounting principles, specifically with full accrual basis statements required by GASB 34.

The Town's governing board feels that there are limited financial resources at this time for training the finance department staff in GAAP and it is not cost beneficial to obtain additional assistance in this area. However, as new employees, both the Town Manager and the Finance Officer are currently taking continuing education classes for their positions. The Town's governing board will review the draft financial statements for material errors and reasonableness in amounts.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section II. Financial Statement Findings

None Reported.

TOWN OF JEFFERSON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Numbers</u>	<u>State</u> <u>Numbers</u>	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT- Y	\$ -	\$ 42,667
<u>US Department of Treasury</u>				
Passed-through the Office of State Budget and Management:				
NC Pandemic Recovery Office				
Passed-through Ashe County:				
Coronavirus Relief Fund			<u>122,056</u>	<u></u>
Total Assistance			<u>\$ 122,056</u>	<u>\$ 42,667</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Jefferson and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.