

TOWN OF ELLERBE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2020

TOWN OF ELLERBE, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2020

MAYOR

FRED CLONINGER

TOWN COUNCIL

ARCHIE ROBINSON - MAYOR PRO-TEM

JEAN FLETCHER

ELSIE FREEMAN

JEREMY MCKENZIE

OTHER OFFICIALS

JANE SMITH

TOWN CLERK

RAY HERNDON

TOWN ATTORNEY

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Town of Ellerbe, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 9 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 41 and 42, respectively, the Firefighter's and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 43, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Anderson Smith + Wike PLLC

Rockingham, NC
January 26, 2021

Management's Discussion and Analysis

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

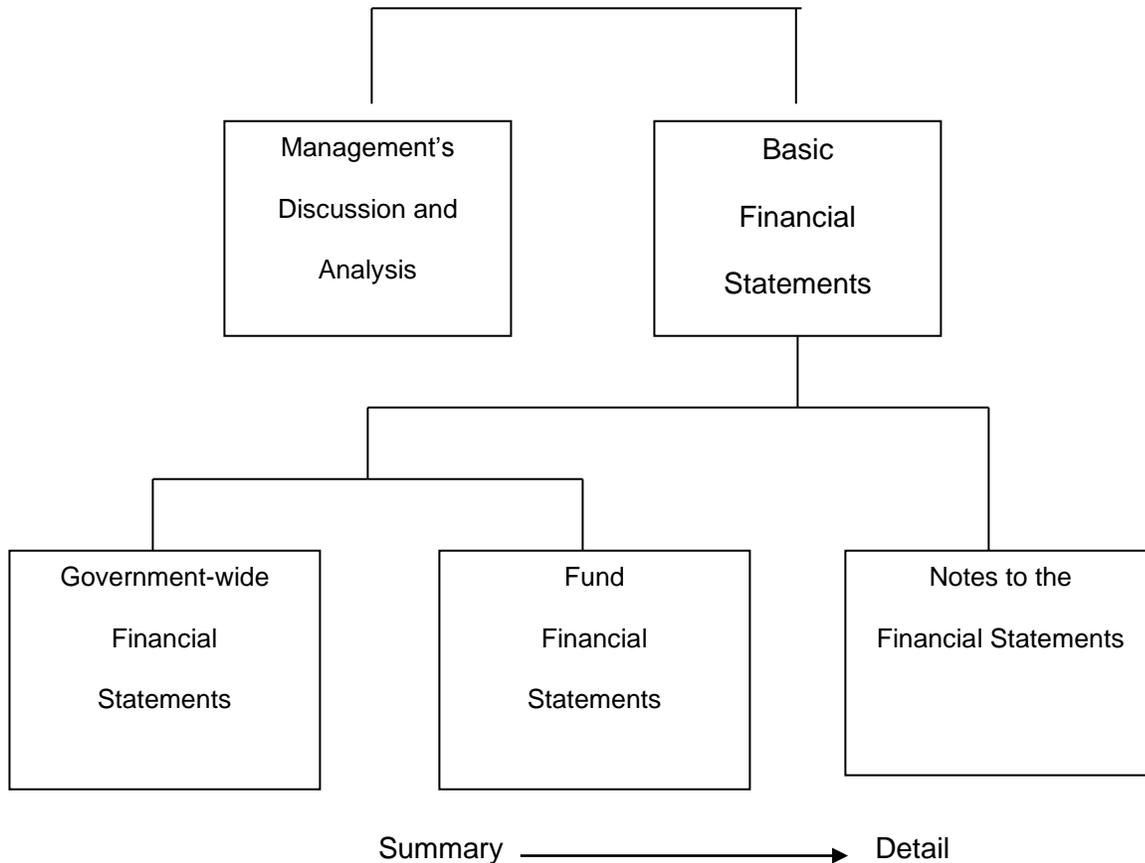
Financial Highlights

- The assets and deferred outflows of resources of the Town of Ellerbe exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,427,381 (*net position*).
- The government's total net position decreased by \$284,623.
- As of the close of the current fiscal year, the Town of Ellerbe's governmental fund reported combined ending fund balances of \$532,904, a decrease of \$113,766 in comparison with the prior year. Approximately 20.0 percent of this total amount, or \$106,397, 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 10.1 percent of the total general fund expenditures for the fiscal year.
- The Town of Ellerbe's total debt decreased by \$96,100 (3.9%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



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

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position 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 gage the Town's financial condition.

The government-wide statements are divided into two categories: governmental activities and business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, environmental protection, culture and recreation and debt service. 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. This includes the water and sewer services offered by the Town of Ellerbe.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ellerbe, 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 Ellerbe can be divided into two categories: governmental funds and proprietary funds.

Governmental Fund – 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 Ellerbe 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 – Town of Ellerbe 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. Town of Ellerbe uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

	The Town of Ellerbe's Net Position					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 582,194	\$ 693,695	\$ 85,018	\$ 187,402	\$ 667,212	\$ 881,097
Capital assets	1,149,243	1,162,242	6,251,747	6,402,872	7,400,990	7,565,114
Deferred outflows of resources	<u>55,292</u>	<u>57,125</u>	<u>29,773</u>	<u>25,666</u>	<u>85,065</u>	<u>82,791</u>
Total assets and deferred outflows of resources	<u>1,786,729</u>	<u>1,913,062</u>	<u>6,366,538</u>	<u>6,615,940</u>	<u>8,153,267</u>	<u>8,529,002</u>
Long-term liabilities outstanding	610,349	683,722	1,894,499	1,919,609	2,504,848	2,603,331
Other liabilities	79,129	77,667	95,244	127,661	174,373	205,328
Deferred inflows of resources	<u>30,715</u>	<u>5,938</u>	<u>15,950</u>	<u>2,401</u>	<u>46,665</u>	<u>8,339</u>
Total liabilities and deferred inflows of resources	<u>720,193</u>	<u>767,327</u>	<u>2,005,693</u>	<u>2,049,671</u>	<u>2,725,886</u>	<u>2,816,998</u>
Net Position					-	-
Net invested in capital assets	642,093	592,992	4,411,747	4,528,872	5,053,840	5,121,864
Restricted	233,076	265,346	52,417	52,417	285,493	317,763
Unrestricted	<u>191,367</u>	<u>287,397</u>	<u>(103,319)</u>	<u>(15,020)</u>	<u>88,048</u>	<u>272,377</u>
Total net position	<u>\$ 1,066,536</u>	<u>\$ 1,145,735</u>	<u>\$ 4,360,845</u>	<u>\$ 4,566,269</u>	<u>\$ 5,427,381</u>	<u>\$ 5,712,004</u>

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 the Town of Ellerbe exceeded liabilities and deferred inflows by \$5,427,381 as of June 30, 2020. The Town's net position decreased by \$284,623 for the fiscal year ended June 30, 2020. The largest portion 93.1% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Additional portions of the Town of Ellerbe's net position 1.6% reflects the unrestricted net position still outstanding that was issued to acquire those items, and restricted net position of 5.3%. The Town of Ellerbe uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ellerbe's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The Town of Ellerbe Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Totals	
Revenues						
Program revenues:						
Charges for services	\$ 110,011	\$ 121,973	\$ 505,511	\$ 519,461	\$ 615,522	\$ 641,434
Operating grants and contributions	12,591	12,688	-	-	12,591	12,688
Capital grants and contributions	101,817	153,594	-	54,626	101,817	208,220
General revenues:						
Property taxes	250,587	250,130	-	-	250,587	250,130
Other taxes	311,024	328,151	-	-	311,024	328,151
Grants and contributions not restricted to special programs	19,826	23,291	-	-	19,826	23,291
Other	<u>138,172</u>	<u>42,626</u>	<u>24,570</u>	<u>15,273</u>	<u>162,742</u>	<u>57,899</u>
Total revenues	<u>944,028</u>	<u>932,453</u>	<u>530,081</u>	<u>589,360</u>	<u>1,474,109</u>	<u>1,521,813</u>
Expenses:						
General government	286,032	255,309	-	-	286,032	255,309
Public safety	338,607	357,055	-	-	338,607	357,055
Transportation	185,271	235,910	-	-	185,271	235,910
Environmental protection	90,316	79,781	-	-	90,316	79,781
Culture and recreation	123,001	119,894	-	-	123,001	119,894
Interest on long-term debt	-	-	-	-	-	-
Water and Sewer	-	-	735,505	741,726	735,505	741,726
Total expenses	<u>1,023,227</u>	<u>1,047,949</u>	<u>735,505</u>	<u>741,726</u>	<u>1,758,732</u>	<u>1,789,675</u>
Change in net position before transfers	(79,199)	(115,496)	(205,424)	(152,366)	(284,623)	(267,862)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(79,199)	(115,496)	(205,424)	(152,366)	(284,623)	(267,862)
Net position, July 1	1,145,735	1,261,231	4,566,269	4,718,635	5,712,004	5,979,866
Net position, June 30	<u>\$ 1,066,536</u>	<u>\$ 1,145,735</u>	<u>\$ 4,360,845</u>	<u>\$ 4,566,269</u>	<u>\$ 5,427,381</u>	<u>\$ 5,712,004</u>

Governmental activities: Governmental activities decreased the Town's net position by \$79,199 where prior year's decrease was \$115,496. The key element of this decrease was as follows:

- Expenditures decreased by \$24,722 and revenues increase by 11,575

Business-type activities: Business-type activities decreased the Town of Ellerbe's net position by \$205,424. The following changes occurred in comparison with the prior year:

- Revenues decreased by 40,721.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Ellerbe'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 Ellerbe's financing requirements. Specifically, unreserved 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 Ellerbe. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$106,397, while total fund balance reached \$532,904. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10.1 percent of total General Fund expenditures, while total fund balance represents 50.4 percent of that same amount.

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.

Proprietary Funds. The Town of Ellerbe's proprietary funds 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 (\$103,319). The total decrease in net position was \$205,424.

Capital Asset and Debt Administration

Capital assets. The Town of Ellerbe's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$7,400,990 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles. Capital additions for the year totaled \$52,491.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land and Construction in progress	\$ 191,424	\$ 196,124	\$ 1,459,727	\$ 1,462,227	\$ 1,651,151	\$ 1,688,351
Buildings and system	71,798	74,066	-	-	71,798	74,066
Machinery and equipment	88,457	76,455	36,163	41,753	124,620	118,208
Infrastructure	117,450	107,982	4,752,875	4,894,420	4,870,325	5,002,402
Vehicles and motorized equipment	680,114	707,615	2,982	4,472	683,096	712,087
Total	\$1,149,243	\$1,162,242	\$ 6,251,747	\$ 6,402,872	\$7,400,990	\$7,565,114

Additional information on the Town’s capital assets can be found in NOTE 3.A. of the Basic Financial Statements.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Ellerbe is \$2,810,063.

Additional information regarding the Town of Ellerbe’s long-term debt can be found in NOTE 3.B.3 of this report.

Economic Factors and Next Year’s Budgets and Rates

Impact of Coronavirus on Town

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The governmental funds’ primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2021, the budget decreased 34.3 percent from the prior year.

Business – type Activities: The water and sewer budget decreased \$31,485 from prior year.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Ellerbe, Post Office Box 310, Ellerbe, North Carolina 28338.

BASIC FINANCIAL STATEMENTS

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 301,607	\$ 15,255	\$ 316,862
Taxes receivables	39,250	-	39,250
Accounts receivable	5,278	59,869	65,147
Due from other governments	55,992	-	55,992
Inventories	-	6,558	6,558
Prepaid expense	8,261	3,336	11,597
Restricted cash and cash equivalents	<u>171,806</u>	<u>-</u>	<u>171,806</u>
Total current assets	<u>582,194</u>	<u>85,018</u>	<u>667,212</u>
Capital assets			
Land and construction in progress	191,424	1,459,727	1,651,151
Other capital assets, net of depreciation	<u>957,819</u>	<u>4,792,020</u>	<u>5,749,839</u>
Total capital assets	<u>1,149,243</u>	<u>6,251,747</u>	<u>7,400,990</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	47,386	25,516	72,902
OPEB deferrals	<u>7,906</u>	<u>4,257</u>	<u>12,163</u>
Total deferred outflows of resources	<u>55,292</u>	<u>29,773</u>	<u>85,065</u>
Total assets and deferred outflows of resources	<u>\$ 1,786,729</u>	<u>\$ 6,366,538</u>	<u>\$ 8,153,267</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 8,947	\$ 18,010	\$ 26,957
Customer deposits	-	39,391	39,391
Compensated absences	8,082	3,843	11,925
Installment notes payable - current	62,100	34,000	96,100
Total current liabilities	<u>79,129</u>	<u>95,244</u>	<u>174,373</u>
Noncurrent liabilities			
Net pension liability	67,809	36,512	104,321
Total OPEB liability	89,408	48,143	137,551
Compensated absences	8,082	3,844	11,926
Installment notes payable	445,050	1,806,000	2,251,050
Total noncurrent liabilities	<u>610,349</u>	<u>1,894,499</u>	<u>2,504,848</u>
Total liabilities	<u>689,478</u>	<u>1,989,743</u>	<u>2,679,221</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	1,093	-	1,093
Pension deferral	-	-	-
OPEB deferral	29,622	15,950	45,572
Total deferred inflows of resources	<u>30,715</u>	<u>15,950</u>	<u>46,665</u>
Total liabilities and deferred inflows of resources	<u>\$ 720,193</u>	<u>\$ 2,005,693</u>	<u>\$ 2,725,886</u>
NET POSITION			
Net investment in capital assets	642,093	4,411,747	5,053,840
Restricted for:			
Stabilization by State Statute	61,270	-	61,270
Other functions	171,806	-	171,806
Debt service reserve - USDA	-	56,418	56,418
Short lived asset replacement reserve - USDA	-	6,581	6,581
Unrestricted	191,367	(113,901)	77,466
Total net position	<u>\$ 1,066,536</u>	<u>\$ 4,360,845</u>	<u>\$ 5,427,381</u>

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 286,032	\$ 2,635	\$ -	\$ -	\$ (283,397)	\$ -	\$ (283,397)
Public safety	338,607	45,963	12,591	65,000	(215,053)	-	(215,053)
Transportation	185,271	-	-	36,817	(148,454)	-	(148,454)
Environmental protection	90,316	49,953	-	-	(40,363)	-	(40,363)
Cultural and recreational	123,001	11,460	-	-	(111,541)	-	(111,541)
Total governmental activities	<u>1,023,227</u>	<u>110,011</u>	<u>12,591</u>	<u>101,817</u>	<u>(798,808)</u>	<u>-</u>	<u>(798,808)</u>
Business-type activities							
Water and sewer	<u>735,505</u>	<u>505,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,994)</u>	<u>(229,994)</u>
Total business-type activities	<u>735,505</u>	<u>505,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,994)</u>	<u>(229,994)</u>
Total primary government	<u>\$ 1,758,732</u>	<u>\$ 615,522</u>	<u>\$ 12,591</u>	<u>\$ 101,817</u>	<u>\$ (798,808)</u>	<u>\$ (229,994)</u>	<u>\$ (1,028,802)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					250,587	-	250,587
Other taxes					311,024	-	311,024
Grants and contributions, not restricted to specific programs					19,826	-	19,826
Unrestricted investment earnings					4,153	-	4,153
Miscellaneous					134,019	24,570	158,589
Total general revenues, special items and transfers					<u>719,609</u>	<u>24,570</u>	<u>744,179</u>
Change in net position					<u>(79,199)</u>	<u>(205,424)</u>	<u>(284,623)</u>
Net position, beginning					1,145,735	4,566,269	5,712,004
Net position, ending					<u>\$ 1,066,536</u>	<u>\$ 4,360,845</u>	<u>\$ 5,427,381</u>

TOWN OF ELLERBE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
6/30/2020

Exhibit 3

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 301,607
Restricted cash	171,806
Receivables, net	
Taxes	39,250
Accounts	5,278
Due from other governments	55,992
Prepaid expense	<u>8,261</u>
Total assets	<u>\$ 582,194</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accrued liabilities	<u>8,947</u>
Total liabilities	<u>\$ 8,947</u>
DEFERRED INFLOWS OF RESOURCES	
Tax receivable	39,250
Prepaid taxes	<u>1,093</u>
Total deferred inflows of resources	<u>\$ 40,343</u>
Fund balances	
Restricted	
Stabilization by State Statute	61,270
Streets - Powell Bill	171,806
Assigned	
Subsequent year's expenditures	193,431
Unassigned	<u>106,397</u>
Total fund balances	<u>\$ 532,904</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 582,194</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	\$ 532,904
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,149,243
Compensated absences not expected to be materially liquidated with expendable available resources	(16,164)
Liabilities for earned but deferred revenues in fund statements	39,250
Pension related deferrals-outflows	47,386
OPEB related deferrals-outflows	7,906
Net pension liability	(67,809)
Total OPEB liability	(89,408)
Pension related deferrals-inflows	-
OPEB related deferrals-inflows	(29,622)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(507,150)</u>
Net position of governmental activities	<u>\$ 1,066,536</u>

TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the year ended June 30, 2020

Exhibit 4

	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 249,573
Unrestricted intergovernmental	330,850
Restricted intergovernmental	114,408
Sales and services	110,011
Investment earnings	4,153
Miscellaneous	<u>134,019</u>
Total revenues	<u>943,014</u>
EXPENDITURES	
Current	
General government	261,133
Public safety	335,613
Transportation	172,192
Environmental protection	89,316
Cultural and recreational	136,426
Debt service	
Principal payments	<u>62,100</u>
Total expenditures	<u>1,056,780</u>
Excess (deficiency) of revenues over expenditures	<u>(113,766)</u>
Fund balance, beginning	<u>646,670</u>
Fund balances, ending	<u>\$ 532,904</u>

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

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

Net changes in fund balances - total governmental funds	\$ (113,766)
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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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal

Capital outlay	52,491
Depreciation	(60,790)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

Pension deferrals	27,605
OPEB deferrals	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Change in deferred revenue for tax revenues	1,014
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	(1,426)
OPEB expense	(9,225)
Pension expense	(37,202)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	62,100	
Issuance of new debt	-	62,100

Total change in net position of governmental activities	<u>\$ (79,199)</u>
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TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit 6

	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 180,000	\$ 180,000	\$ 249,573	\$ 69,573
Unrestricted intergovernmental	234,000	234,000	330,850	96,850
Restricted intergovernmental	105,000	105,000	114,408	9,408
Sales and services	155,500	155,500	110,011	(45,489)
Investment earnings	500	500	4,153	3,653
Miscellaneous	4,000	84,621	134,019	49,398
Total revenues	679,000	759,621	943,014	183,393
EXPENDITURES				
Current				
General government	320,600	333,544	261,133	72,411
Public safety	366,552	369,839	335,613	34,226
Transportation	225,000	225,000	172,192	52,808
Environmental protection	90,000	92,000	89,316	2,684
Cultural and recreational	118,250	170,140	136,426	33,714
Debt service				
Principal payments	52,000	62,500	62,100	400
Total expenditures	1,172,402	1,253,023	1,056,780	196,243
Revenues over (under) expenditures	(493,402)	(493,402)	(113,766)	379,636
Fund balance appropriated	493,402	493,402	-	(493,402)
Net change in fund balance	\$ -	\$ -	(113,766)	\$ (113,766)
Fund balance, beginning			646,670	
Fund balance, ending			\$ 532,904	

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

Exhibit 7

	Water Fund	Sewer Fund	Total Enterprise Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,871	\$ 7,384	\$ 15,255
Accounts receivable	28,973	30,896	59,869
Prepaid expense	2,228	1,108	3,336
Inventories	6,558	-	6,558
Total current assets	<u>45,630</u>	<u>39,388</u>	<u>85,018</u>
Capital assets			
Land and construction in progress	2,186	1,457,541	1,459,727
Other capital assets, net of depreciation	93,788	4,698,232	4,792,020
Total capital assets, net	<u>95,974</u>	<u>6,155,773</u>	<u>6,251,747</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	20,413	5,103	25,516
OPEB deferrals	3,406	851	4,257
Total deferred outflows of resources	<u>23,819</u>	<u>5,954</u>	<u>29,773</u>
Total assets and deferred outflows of resources	<u>\$ 165,423</u>	<u>\$ 6,201,115</u>	<u>\$ 6,366,538</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 7,243	\$ 10,767	\$ 18,010
Customer deposits	39,391	-	39,391
Compensated absences-current	3,722	121	3,843
Debt-current	-	34,000	34,000
Net pension liability	29,210	7,302	36,512
OPEB liability	38,514	9,629	48,143
Compensated absences-noncurrent	3,723	121	3,844
Debt-noncurrent	-	1,806,000	1,806,000
Total liabilities	<u>121,803</u>	<u>1,867,940</u>	<u>1,989,743</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferral	-	-	-
OPEB deferral	12,760	3,190	15,950
Total deferred inflows of resources	<u>12,760</u>	<u>3,190</u>	<u>15,950</u>
NET POSITION			
Net investment in capital assets	95,974	4,315,773	4,411,747
Debt service reserve - USDA	-	56,418	56,418
Short lived asset replacement reserve - USDA	-	6,581	6,581
Unrestricted	(65,114)	(48,787)	(113,901)
Total net position	<u>30,860</u>	<u>4,329,985</u>	<u>4,360,845</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 165,423</u>	<u>\$ 6,201,115</u>	<u>\$ 6,366,538</u>

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

Exhibit 8

	Water Fund	Sewer Fund	Total Enterprise Fund
OPERATING REVENUES			
Charges for services	\$ 235,186	\$ 263,746	\$ 498,932
Water and sewer taps	3,485	-	3,485
Other operating revenues	-	3,094	3,094
	<u>238,671</u>	<u>266,840</u>	<u>505,511</u>
Total operating revenues			
OPERATING EXPENSES			
Water and sewer operations	315,793	224,828	540,621
Depreciation	13,227	135,398	148,625
	<u>329,020</u>	<u>360,226</u>	<u>689,246</u>
Total operating expenses			
Operating (Loss) Gain	(90,349)	(93,386)	(183,735)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	-	(46,259)	(46,259)
Miscellaneous revenue	11,173	13,397	24,570
Total nonoperating revenues (expenses)	<u>11,173</u>	<u>(32,862)</u>	<u>(21,689)</u>
Change in net position	<u>(79,176)</u>	<u>(126,248)</u>	<u>(205,424)</u>
Total net position, beginning	<u>110,036</u>	<u>4,456,233</u>	<u>4,566,269</u>
Total net position, ending	<u>\$ 30,860</u>	<u>\$ 4,329,985</u>	<u>\$ 4,360,845</u>

TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2020

Exhibit 9

	Water Fund	Sewer Fund	Total Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 233,109	\$ 292,962	\$ 526,071
Cash paid for goods and services	(138,606)	(181,991)	(320,597)
Cash paid to or on behalf of employees for services	(150,066)	(53,183)	(203,249)
Other operating revenues	-	3,094	3,094
Net cash (used) provided by operating activities	<u>(55,563)</u>	<u>60,882</u>	<u>5,319</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Sale of capital assets	-	2,500	2,500
Interest expense	-	(46,259)	(46,259)
Principal Retirement	-	(34,000)	(34,000)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(77,759)</u>	<u>(77,759)</u>
Net (decrease) increase in cash and cash equivalents	(55,563)	(16,877)	(72,440)
Balances, beginning	<u>63,434</u>	<u>24,261</u>	<u>87,695</u>
Balances, ending	<u>\$ 7,871</u>	<u>\$ 7,384</u>	<u>\$ 15,255</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating (Loss)	\$ (90,349)	\$ (93,386)	\$ (183,735)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	13,227	135,398	148,625
Other Income	11,173	13,397	24,570
Changes in assets and liabilities:			
(Increase) Decrease in accounts receivable	(5,562)	26,716	21,154
(Increase) Decrease in prepaid expense	(1,094)	2,043	949
(Increase) Decrease in inventory	7,840	-	7,840
Increase (Decrease) in accounts payable and accrued liabilities	(4,912)	(29,925)	(34,837)
Increase (Decrease) in customer deposits	2,170	-	2,170
Increase (Decrease) in Compensated absences	1,227	(722)	505
(Increase) Decrease in deferred outflows of resources for pensions	(1,317)	(2,274)	(3,591)
(Increase) Decrease in deferred outflows of resources for OPEB	(148)	(368)	(516)
Increase (Decrease) in net pension liabilities	7,944	4,152	12,096
Increase (Decrease) in OPEB liability	(6,430)	2,970	(3,460)
Increase (Decrease) in deferred inflows of resources for pensions	(110)	(16)	(126)
Increase (Decrease) in deferred inflows of resources for OPEB	<u>10,778</u>	<u>2,897</u>	<u>13,675</u>
Total adjustments	<u>34,786</u>	<u>154,268</u>	<u>170,976</u>
Net cash (used) provided by operating activities	<u>\$ (55,563)</u>	<u>\$ 60,882</u>	<u>\$ 5,319</u>

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ellerbe, North Carolina 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 Ellerbe, North Carolina, 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 Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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.

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. Non-operating revenues, such as subsidies result from non-exchange transactions. 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 general government, public safety, transportation, environmental protection and cultural and recreational services.

The Town reports the following major enterprise fund:

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

Sewer Fund. This fund is used to account for the Town's sewer operations. For financial reporting purposes, a Sewer Capital Project Fund has been consolidated with the Sewer Fund.

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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 receivables are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Richmond County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Ellerbe. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Richmond County from March 2019 through February 2020 apply to the fiscal year ended June 30, 2020. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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 and enterprise funds. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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

Deposits and Investments

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

Cash and Cash Equivalents

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

Restricted Assets

Powell Bill funds are 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.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's Enterprise Funds consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, substations, lines, and other plant and distribution systems, \$50,000; infrastructure, \$10,000; and furniture and equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Equipment	10
Vehicles and motorized equipment	5-10
Infrastructure	30

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only four items that meet the criterion for this category - prepaid taxes, prepaid license fees, property taxes receivable and a note receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

The Town's sick leave policy provides for 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. The Town has no obligation for the accumulated sick leave until it is actually taken; no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position 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 three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Pensions

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 Ellerbe's employer contributions are recognized when due and the Town of Ellerbe 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Other

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Contractual Violations

The Town is not in compliance with USDA Debt Covenants in the Business-type Activities Funds (see page 38). The Town will, going forward, raise revenues and cut expenditures to satisfy these covenants in the future.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's 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 their name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, 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, 2020 the Town's deposits had a carrying amount of \$488,468 and a bank balance of \$605,659. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$200.

Due from Other Governmental Agencies

At June 30, 2020, funds due from other governmental agencies consisted of the following:

	<u>Governmental Activities</u>
	<u>General</u>
Local option sales tax	\$ 15,693
Hold Harmless	4,345
Sales tax refund	17,363
Video programming	1,498
Franchise tax	9,128
Telecommunication tax	1,877
Solid waste	186
Gas tax	2,463
Property taxes on vehicles collected by County	<u>3,439</u>
Total	<u>\$ 55,992</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 196,124	-	4,700	\$ 191,424
Capital assets being depreciated				
Buildings	134,358	-	-	134,358
Equipment	566,793	23,090	-	589,883
Vehicles and motorized equipment	1,300,946	-	-	1,300,946
Infrastructure	432,228	29,401	-	461,629
Total capital assets being depreciated	<u>2,434,325</u>	<u>52,491</u>	-	<u>2,486,816</u>
Less accumulated depreciation for				
Buildings	60,292	2,268	-	62,560
Equipment	490,338	11,088	-	501,426
Vehicles and motorized equipment	593,331	27,501	-	620,832
Infrastructure	324,246	19,933	-	344,179
Total accumulated depreciation	<u>1,468,207</u>	<u>60,790</u>	-	<u>1,528,997</u>
Total capital assets being depreciated, net	<u>966,118</u>	<u>(8,299)</u>	-	<u>957,819</u>
Governmental activity capital assets, net	<u>\$ 1,162,242</u>	<u>\$ (8,299)</u>	<u>\$ 4,700</u>	<u>\$ 1,149,243</u>

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

General government	\$ 4,651
Public safety	26,084
Transportation	13,079
Environmental protection	1,000
Cultural and recreational	<u>15,976</u>
 Total depreciation expense	 <u>\$ 60,790</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

Business-Type activities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water activities				
Capital assets not being depreciated				
Land	\$ 2,186	\$ -	\$ -	\$ 2,186
Capital assets being depreciated				
Plant and distribution system	356,457	-	-	356,457
Furniture and maintenance equipment	86,055	-	-	86,055
Vehicles	34,562	-	-	34,562
Total capital assets being depreciated	<u>477,074</u>	<u>-</u>	<u>-</u>	<u>477,074</u>
Less accumulated depreciation for			-	
Plant and distribution system	276,501	8,914	-	285,415
Furniture and maintenance equipment	63,468	2,823	-	66,291
Vehicles	30,090	1,490	-	31,580
Total accumulated depreciation	<u>370,059</u>	<u>13,227</u>	<u>-</u>	<u>383,286</u>
Total capital assets being depreciated, net	<u>107,015</u>	<u>(13,227)</u>	<u>-</u>	<u>93,788</u>
Water activity capital assets, net	<u>\$ 109,201</u>	<u>\$ (13,227)</u>	<u>\$ -</u>	<u>\$ 95,974</u>
Sewer activities				
Capital assets not being depreciated				
Land	\$ 1,460,041	\$ -	\$ 2,500	\$ 1,457,541
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,460,041</u>	<u>-</u>	<u>2,500</u>	<u>1,457,541</u>
Capital assets being depreciated				
Buildings	455,326	-	-	455,326
Plant and distribution system	5,280,477	-	-	5,280,477
Furniture and maintenance equipment	61,445	-	-	61,445
Total capital assets being depreciated	<u>5,797,248</u>	<u>-</u>	<u>-</u>	<u>5,797,248</u>
Less accumulated depreciation for				
Buildings	455,326	-	-	455,326
Plant and distribution system	466,013	132,631	-	598,644
Furniture and maintenance equipment	42,279	2,767	-	45,046
Total accumulated depreciation	<u>963,618</u>	<u>135,398</u>	<u>-</u>	<u>1,099,016</u>
Total capital assets being depreciated, net	<u>4,833,630</u>	<u>(135,398)</u>	<u>-</u>	<u>4,698,232</u>
Sewer activity capital assets, net	<u>\$ 6,293,671</u>	<u>\$ (135,398)</u>	<u>\$ 2,500</u>	<u>\$ 6,155,773</u>
Business-type Activities capital assets, net				<u>\$ 6,251,747</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Ellerbe is a participating employer in the statewide Local Governmental Employees' Retirement System (LTERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LTERS 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 LTERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LTERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LTERS 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.

LTERS 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. Town of Ellerbe employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LTERS Board of Trustees. The Town of Ellerbe's contractually required contribution rate for the year ended June 30, 2020, was 8.95% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Ellerbe were \$27,605 for the year ended June 30, 2020.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2020, the Town reported a liability of \$104,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00382%, which was an increase of 0.00050% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$50,552. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,862	\$ -
Changes of assumptions	17,003	-
Net difference between projected and actual earnings on pension plan investments	2,544	-
Changes in proportion and differences between City contributions and proportionate share of contributions	7,888	-
City contributions subsequent to the measurement date	27,605	-
Total	\$ 72,902	\$ -

\$27,605 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, 2020.

**TOWN OF ELLERBE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Year ended June 30:

2020	\$	21,356
2021		7,708
2022		11,890
2023		4,345
2024		-
Thereafter		-
	\$	45,299

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

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

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.0 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 (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability (asset)	\$ 238,602	\$ 104,321	\$ (7,293)

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

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Council has the 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. Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the City. The City pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the City's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

	General Employees:
Retirees and dependents receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	8

Total OPEB Liability

The City's total OPEB liability of \$137,551 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Medical – 7.0%
	Prescription – 7.0%
	Admin Expenses – 3.00%

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Other Postemployment Benefits (Continued)

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1	166,460
Changes for the year	
Service Cost	8,384
Interest	6,475
Changes of benefit terms	-
Differences between expected and actual experience	(46,493)
Changes in assumptions or other inputs	2,725
Benefit payments	-
Net changes	<u>(28,909)</u>
Balance at June 30	137,551

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

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.5%)</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 142,733	\$ 137,551	\$ 132,317

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

	<u>(Medical-6.0% Prescription-6.0% Admin Expenses-2.00%)</u>	<u>Discount Rate (Medical- 7.0%, Prescription-7.0% Admin Expenses 3.00%)</u>	<u>(Medical-8.0% Prescription-8.0% Admin Expenses-4.00%)</u>
Total OPEB Liability	\$ 129,154	\$ 137,551	\$ 146,968

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

b. Other Postemployment Benefit (continued)

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$9,225. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,847	\$ 39,512
Changes in assumptions	2,316	6,060
Benefit payments and administrative costs made Subsequent to the measurement date	-	-
Total	\$ 12,163	\$ 45,572

\$0 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (5,634)
2021	(5,634)
2021	(5,634)
2022	(5,634)
2023	(6,428)
Thereafter	(4,445)

c. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Ellerbe, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

c. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The Town of Ellerbe's proportionate share of the State's contribution is \$12,591.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2020, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$24,591. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the Town recognized pension expense of \$13,142 and revenue of \$13,142 for support provided by the State. At June 30, 2020, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

c. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$3 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not carry flood insurance as none of their buildings are located in flood prone areas.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 and 30,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations

	<u>Serviced by Governmental Activities</u>	<u>Serviced by Business-type Activities</u>
The Town entered into a USDA loan, October 21, 2013 with annual installments of varying amounts over 40 years with interest of 2.75%.	\$ -	\$ 1,651,000
The Town entered into a USDA loan, April 24, 2019 with annual installments of varying amounts over 40 years with interest of 2.75%.	-	189,000
The Town entered into a loan with Pee Dee Membership Corp August 2019 with monthly installment of \$5,175 with no interest, for the purchase of a Fire Truck.	<u>507,150</u>	<u>-</u>
	507,150	1,840,000
Less current portion	<u>62,100</u>	<u>34,000</u>
	\$ 445,050	\$ 1,806,000

Governmental activities	<u>Principal</u>
2021	\$ 62,100
2022	62,100
2023	62,100
2024	62,100
2025	62,100
Thereafter	<u>196,650</u>
	<u>\$ 507,150</u>

Business-type activities	<u>Principal</u>	<u>Interest</u>
2021	\$ 34,000	\$ 50,600
2022	35,000	49,665
2023	36,000	48,703
2024	37,000	47,713
2025	38,000	46,695
2025-2029	210,000	216,975
Thereafter	<u>1,450,000</u>	<u>534,131</u>
	<u>\$ 1,840,000</u>	<u>\$ 994,482</u>

The Town is not in compliance with the covenants as to rates and charges in Section 7.08 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2013. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2020 is as follows:

Operating revenues	\$ 505,511
Operating expenses*	540,621
Operating loss	(35,110)
Nonoperating revenues (expenses)**	24,570
Income available for debt service	-
Debt service, principal and interest paid (Revenue bond only)	80,259
Debt service coverage ratio	0%

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations (Continued)

*Per rate covenants, this does not include the depreciation expense of \$148,625.

**Per rate covenants, this does not include revenue bond interest paid of \$46,259.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$1,997,000 in water and sewer system revenue bonds issued in 2013. Proceeds from the bonds provided financing for major improvements to the water and sewer plant. The bonds are payable solely from water and sewer customer net revenues and are payable through 2057. Annual principal and interest payments on the bonds are expected to require less than 6% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,920,017. Principal and interest paid for the current year and total customer net revenues were \$80,259 and \$505,511, respectively

At June 30, 2020, the Town of Ellerbe had a legal debt margin of \$2,810,063.

Changes in long-term liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2020:

	Balances			Balances	Current Portion
	July 1, 2019	Increases	Decreases	June 30, 2020	of Balance
Governmental activities:					
Installment purchases	\$ 569,250	\$ -	\$ 62,100	\$ 507,150	\$ 62,100
Net pension liability	54,346	13,463	-	67,809	-
Total OPEB liability	114,857	-	25,449	89,408	-
Compensated absences	14,738	1,682	256	16,164	8,082
Governmental activity long-term liabilities	<u>\$ 753,191</u>	<u>\$ 15,145</u>	<u>\$ 87,805</u>	<u>\$ 680,531</u>	<u>\$ 70,182</u>
Business-type activities:					
USDA debt	1,874,000	-	34,000	1,840,000	34,000
Net pension liability	24,416	12,096	-	36,512	-
Total OPEB liability	51,603	-	3,460	48,143	-
Compensated absences	7,182	648	143	7,687	3,844
Business-type activity long-term liabilities	<u>\$ 1,957,201</u>	<u>\$ 12,744</u>	<u>\$ 37,603</u>	<u>\$ 1,932,342</u>	<u>\$ 37,844</u>

4. Deferred Outflows and Inflows of Resources

The Town had several deferred outflows of resources.

Deferred outflows of resources is comprised on the following:

Source	Amount
Pension deferral	\$ 72,902
OPEB deferral	12,163
Total	<u>\$ 85,065</u>

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

Pension deferral	\$ -
OPEB deferral	45,572
Prepaid taxes	1,093
Total	<u>\$ 46,665</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2020, the Town of Ellerbe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$12,591 for the 27 volunteer Firefighter who perform firefighting duties for the town's fire department. The volunteers elected to be members of the Firefighter and Rescue Worker's Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation

NOTE 4 - JOINTLY GOVERNED ORGANIZATION

The Town participates in a joint venture to operate a regional library with Richmond County and two other municipalities. Each participating government appoints board members to the ten-member board of the Library, with the Town appointing one member. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance, with the intergovernmental agreement between the participating governments, the Town appropriated \$ 10,500 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 412 East Franklin Street, Rockingham, NC 28379.

NOTE 5 - 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 moneys.

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 6 – FUND BALANCE

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

Total fund balance – General Fund	<u>\$ 532,904</u>
Stabilization by State Statute	61,270
Streets – Powell Bill	171,806
Appropriated Fund Balance in subsequent year’s budget	193,431
Working Capital/Fund Balance Policy	106,397

NOTE 7 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Richmond County decided to switch from a per capita share of distribution of sales tax to an ad valorem share of distribution effective in April, 2020, resulting in a significant decrease in the Town’s percent of distribution. The actual change took place beginning with May, 2020 collections, which were received in July. Under the previous per capital method, the Town received a 1.625% share of sales tax revenues. Under the ad valorem method, the Town receives a .713% share of sales tax revenues. Comparing actuals from recent years, the Town is expected to face an annual loss of approximately \$150,000 if total collections remain comparable to prior years. Therefore, it is projected that this change will decrease the Town’s sales tax revenue by approximately 58%.

Required Supplemental Financial Data

This section contains additional information required by the Governmental Accounting Standards Board.

- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan
- Schedule of Changes in the Total OPEB Liability

TOWN OF ELLERBE, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ellerbe's proportion of the net pension liability (asset) (%)	0.00050%	0.00332%	0.00355%	0.00371%	0.00336%	-0.28800%
Ellerbe's proportion of the net pension liability (asset) (\$)	\$ 104,321	\$ 78,762	\$ 54,234	\$ 78,739	\$ 15,079	\$ (16,985)
Ellerbe's covered-employee payroll	\$ 286,050	\$ 265,898	\$ 254,972	\$ 312,120	\$ 287,487	\$ 279,693
Ellerbe's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.47%	29.62%	21.27%	25.23%	5.25%	(6.07%)
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

* 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 Ellerbe, NORTH CAROLINA
Town of Ellerbe's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 27,605	\$ 22,169	\$ 19,943	\$ 18,485	\$ 20,290	\$ 18,982
required contribution	<u>27,605</u>	<u>22,169</u>	<u>19,943</u>	<u>18,485</u>	<u>20,290</u>	<u>18,982</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Ellerbe's covered-employee payroll	\$ 308,438	\$ 286,050	\$ 265,898	\$ 254,972	\$ 312,120	\$ 287,487
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.50%	6.60%

Town of Ellerbe, NORTH CAROLINA
Town of Ellerbe's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last five Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ellerbe's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Ellerbe's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with town	<u>24,962</u>	<u>34,519</u>	<u>29,716</u>	<u>21,228</u>	<u>21,073</u>
Total	<u>\$ 24,962</u>	<u>\$ 34,519</u>	<u>\$ 29,716</u>	<u>\$ 21,228</u>	<u>\$ 21,073</u>
Ellerbe's covered-employee payroll	\$ 22,900	\$ 22,900	\$ 22,900	\$ 22,300	\$ 22,000
Ellerbe's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.00%	150.74%	129.76%	95.19%	95.79%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented for the fiscal year ending June 30, 2020 were determined as of June 30, 2018.

TOWN OF ELLERBE, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	8,384	8,591	9,154
Interest	6,475	5,546	4,286
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(46,493)	1,303	15,021
Changes of assumptions	2,725	(3,540)	(5,879)
Benefit payments	-	(2,422)	(15,862)
Net change in total OPEB liability	<u>(28,909)</u>	<u>9,478</u>	<u>6,720</u>
Total OPEB liability - beginning	<u>166,460</u>	<u>156,982</u>	<u>150,262</u>
Total OPEB liability - ending	<u>137,551</u>	<u>166,460</u>	<u>156,982</u>
Covered payroll	308,438	286,050	265,898
Total OPEB liability as a percentage of covered payroll	44.60%	58.19%	59.04%

Notes to Schedule

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

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

**INDIVIDUAL FUND
FINANCIAL STATEMENTS**

MAJOR GOVERNMENTAL FUND

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Exhibit A-1
Page 1 of 4

	2020		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 233,937	\$ -
Prior years	-	10,453	-
Penalties and interest	-	5,183	-
Total	<u>180,000</u>	<u>249,573</u>	<u>69,573</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	182,779	-
Hold harmless	-	62,043	-
Utility franchise tax	-	42,843	-
Telecommunications tax	-	13,281	-
Video franchise fee	-	6,522	-
Beer and wine tax	-	2,779	-
Solid waste	-	777	-
Tax refunds	-	19,826	-
Total	<u>234,000</u>	<u>330,850</u>	<u>96,850</u>
Restricted intergovernmental revenue			
Powell Bill allocation	-	36,817	-
State grants	-	50,000	-
County contributions	-	15,000	-
On-behalf of payments - Fire and Rescue	-	12,591	-
Total	<u>105,000</u>	<u>114,408</u>	<u>9,408</u>
Sales and services			
Refuse collection fees	-	49,953	-
Cemetery lots	-	2,635	-
Recreation department fees	-	11,460	-
Fire protection fee	-	45,963	-
Total	<u>155,500</u>	<u>110,011</u>	<u>(45,489)</u>
Investment earnings	<u>500</u>	<u>4,153</u>	<u>3,653</u>
Miscellaneous	<u>84,621</u>	<u>134,019</u>	<u>49,398</u>
Total revenues	<u>759,621</u>	<u>943,014</u>	<u>183,393</u>

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Exhibit A-1
Page 2 of 4

	2020		Variance Positive (Negative)
	Budget	Actual	
Expenditures			
General government			
Governing body			
Salaries and employee benefits	-	20,567	-
Operating expenditures	-	781	-
Total	<u>23,000</u>	<u>21,348</u>	<u>1,652</u>
Administration			
Salaries and employee benefits	-	116,627	-
Operating expenditures	-	82,324	-
Total	<u>244,000</u>	<u>198,951</u>	<u>45,049</u>
Cemetery			
Operating expenditures	<u>20,944</u>	<u>10,215</u>	<u>10,729</u>
Maintenance shop			
Operating expenditures	<u>14,000</u>	<u>9,037</u>	<u>4,963</u>
Beautification			
Operating expenditures	<u>4,000</u>	<u>3,349</u>	<u>651</u>
Zoning			
Contract labor	<u>20,000</u>	<u>11,233</u>	<u>8,767</u>
Contributions	<u>7,600</u>	<u>7,000</u>	<u>600</u>
Total general government	<u>333,544</u>	<u>261,133</u>	<u>72,411</u>
Public safety			
Police department			
Contractual services	<u>180,000</u>	<u>174,562</u>	<u>5,438</u>
Fire department			
Salaries and employee benefits	-	31,709	-
Operating expenditures	-	101,252	-
Capital outlay	-	23,090	-
Total	<u>184,839</u>	<u>156,051</u>	<u>28,788</u>

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
Expenditures <i>(continued)</i>			
Rescue squad			
Contribution to rescue squad	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total public safety	<u>369,839</u>	<u>335,613</u>	<u>34,226</u>
Transportation			
Street department			
Salaries and employee benefits	-	78,320	-
Operating expenditures	-	61,232	-
Total	<u>187,000</u>	<u>139,552</u>	<u>47,448</u>
Powell Bill			
Operating expenditures	-	32,640	-
Total	<u>38,000</u>	<u>32,640</u>	<u>5,360</u>
Total transportation	<u>225,000</u>	<u>172,192</u>	<u>52,808</u>
Environmental Protection			
Sanitation			
Salaries and employee benefits	-	71,328	-
Operating expenditures	-	17,988	-
Total environmental protection	<u>92,000</u>	<u>89,316</u>	<u>2,684</u>
Cultural and recreational			
Library			
Contribution to Kemp Memorial Library	-	31,607	-
Total	<u>33,924</u>	<u>31,607</u>	<u>2,317</u>
Museum			
Operating expenditures	-	4,388	-
Capital outlay	-	29,401	-
Total	<u>34,216</u>	<u>33,789</u>	<u>427</u>

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
Expenditures <i>(continued)</i>			
Recreation			
Salaries and employee benefits	-	4,882	-
Operating expenditures	-	35,164	-
Total	<u>52,000</u>	<u>40,046</u>	<u>11,954</u>
Rest Area			
Operating expenditures	-	30,984	-
Total	<u>50,000</u>	<u>30,984</u>	<u>19,016</u>
Total cultural and recreational	<u>170,140</u>	<u>136,426</u>	<u>33,714</u>
Debt			
Principal payments	<u>62,500</u>	<u>62,100</u>	<u>-</u>
Total debt	<u>62,500</u>	<u>62,100</u>	<u>400</u>
Total expenditures	<u>1,253,023</u>	<u>1,056,780</u>	<u>196,243</u>
Revenues over (under) expenditures	<u>(493,402)</u>	<u>(113,766)</u>	<u>(607,168)</u>
Fund balance appropriated	<u>493,402</u>	<u>-</u>	<u>493,402</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (113,766)</u>	<u>\$ (113,766)</u>
Fund balance, beginning		<u>646,670</u>	
Fund balance, ending		<u>\$ 532,904</u>	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

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

WATER FUND

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

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and sewer charges	\$ 236,293	\$ 235,186	\$ (1,107)
Water and sewer taps and reconnection	2,500	3,485	985
Total	<u>238,793</u>	<u>238,671</u>	<u>(122)</u>
Non-operating revenues			
Miscellaneous income	<u>19,000</u>	<u>11,173</u>	<u>(7,827)</u>
Total non-operating revenues	<u>19,000</u>	<u>11,173</u>	<u>(7,827)</u>
Total Revenues	<u>257,793</u>	<u>249,844</u>	<u>(7,949)</u>
Operating expenses			
Salaries and employee benefits	-	138,122	-
Contracted services	-	3,014	-
Water and sewer purchased from County	-	93,866	-
Operating expenses	<u>-</u>	<u>68,847</u>	<u>-</u>
Total expenditures	<u>305,000</u>	<u>303,849</u>	<u>1,151</u>
Revenues over (under) expenditures	(47,207)	(54,005)	(6,798)
Fund balance appropriated	<u>47,207</u>	<u>-</u>	<u>(47,207)</u>
Revenues, other financing sources and Fund balance appropriated over expenditures	<u>\$ -</u>	<u>\$ (54,005)</u>	<u>\$ (54,005)</u>

TOWN OF ELLERBE, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2020

Exhibit B-1
Page 2 of 2

Reconciliation from budgetary basis (modified accrual)
to full accrual:

Revenues, other financing sources and Fund balance appropriated over expenditures (prior page)	\$ (54,005)
Reconciling items	
Depreciation	(13,227)
Capital outlay	-
(Increase) in compensated absences	(1,227)
Increase (Decrease) in deferred outflows of resources for pensions	1,317
Increase (Decrease) in deferred outflows of resources for OPEB	148
(Increase) Decrease in net pension liabilities	(7,944)
(Increase) Decrease in OPEB liability	6,430
(Increase) Decrease in deferred inflows of resources for pensions	110
(Increase) Decrease in deferred inflows of resources for OPEB	<u>(10,778)</u>
Total	<u>(25,171)</u>
Change in net position	<u>\$ (79,176)</u>

SEWER FUND

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

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and sewer charges	\$259,389	\$ 263,746	\$ 4,357
Water and sewer taps and reconnection	-	-	-
Total	<u>259,389</u>	<u>263,746</u>	<u>4,357</u>
Other operating revenues	<u>15,000</u>	<u>3,094</u>	<u>(11,906)</u>
Total operating revenues	<u>274,389</u>	<u>266,840</u>	<u>(7,549)</u>
Nonoperating revenues (expenses)			
Miscellaneous revenue	<u>250</u>	<u>13,397</u>	<u>13,147</u>
	<u>250</u>	<u>13,397</u>	<u>13,147</u>
Total revenues	<u>274,639</u>	<u>280,237</u>	<u>5,598</u>
Operating expenses			
Salaries and employee benefits	-	46,540	-
Contract services	-	100	-
Water and sewer purchased from County	-	108,737	-
Operating expenses	-	62,811	-
Debt service			
Principal	-	34,000	-
Interest	-	46,259	-
Total expenditures	<u>366,000</u>	<u>298,447</u>	<u>67,553</u>
Revenues over (under) expenditures	(91,361)	(18,210)	73,151
Fund balance appropriated	<u>91,361</u>	<u>-</u>	<u>(91,361)</u>
Revenues, other financing sources and Fund balance appropriated over expenditures	<u>\$ -</u>	<u>\$ (18,210)</u>	<u>\$ (18,210)</u>

TOWN OF ELLERBE, NORTH CAROLINA
SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2020

Exhibit B-2
Page 2 of 2

Reconciliation from budgetary basis (modified accrual)
to full accrual:

Revenues, other financing sources and Fund balance appropriated over expenditures (prior page)	\$ (18,210)
Reconciling items	
Principal Retirement	34,000
Depreciation	(135,398)
(Increase) in compensated absences	722
Increase (Decrease) in deferred outflows of resources for pensions	2,274
Increase (Decrease) in deferred outflows of resources for OPEB	368
(Increase) Decrease in net pension liabilities	(4,152)
(Increase) Decrease in OPEB liability	(2,970)
(Increase) Decrease in deferred inflows of resources for pensions	16
(Increase) Decrease in deferred inflows of resources for OPEB	<u>(2,897)</u>
Total	<u>(108,037)</u>
Change in net position	<u>\$ (126,247)</u>

Other Schedules

This section includes additional information on property taxes.

- *Schedule of Ad Valorem Taxes Receivable*
- *Analysis of Current Tax Levy*

TOWN OF ELLERBE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
6/30/2020

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2020</u>
2019-2020	\$ -	\$ 248,791	\$ 233,938	14,853
2018-2019	14,568	-	5,017	9,551
2017-2018	9,345	-	1,788	7,557
2016-2017	7,777	-	1,624	6,153
2015-2016	3,799	-	1,084	2,715
2014-2015	1,647	-	94	1,553
2013-2014	1,720	-	94	1,626
2012-2013	1,392	-	118	1,274
2011-2012	1,213	-	98	1,115
2010-2011	949	-	96	853
2009-2010	826	-	826	-
	<u>\$ 43,236</u>	<u>\$ 248,791</u>	<u>\$ 244,777</u>	47,250
Plus: Uncollected 2019-2020 ad valorem taxes receivable on annually registered vehicles				<u>(8,000)</u>
Ad valorem taxes receivable - net				<u>\$ 39,250</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 249,573
Releases/adjustments				1,213
Amounts written off per statute of limitations				<u>(826)</u>
Subtotal				249,960
Less interest collected				<u>(5,183)</u>
Total collections and credits				<u>\$ 244,777</u>

TOWN OF ELLERBE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2020

Exhibit C-2

	Town-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 41,549,667	\$.60	\$ 249,298	\$ 222,450	\$ 26,848
Total	<u>41,549,667</u>		<u>249,298</u>	<u>222,450</u>	<u>26,848</u>
Discoveries:					
Current year taxes	-	\$.60	-	-	-
Abatements:	(84,500)	\$.60	(507)	(507)	-
Total property valuation	<u>\$ 41,465,167</u>				
Net levy			248,791	221,943	26,848
Uncollected taxes at June 30, 2020			<u>14,853</u>	<u>14,853</u>	<u>-</u>
Current year's taxes collected			<u>\$ 233,938</u>	<u>\$ 207,090</u>	<u>\$ 26,848</u>
Current levy collection percentage			<u>94.03%</u>	<u>93.31%</u>	<u>100.00%</u>