

REVIEWED

By SLGFD at 10:38 am, Jan 12, 2022

TOWN OF BETHEL, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Bethel, North Carolina

Board of Commissioners

Gloristine Brown, Mayor
Carl Wilson, Mayor Pro Tem
Ferrell Blount, Commissioner
Janet Davis, Commissioner
Ed Dennis, Commissioner
Thomas Lilley, Commissioner

Administrative Officers

Thomas Asbell, Town Manager
Jessica Britt, Town Clerk

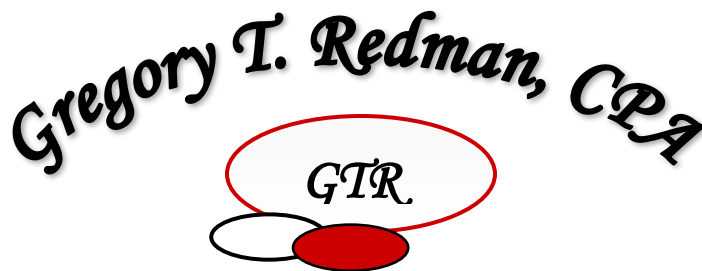
**Town of Bethel
Table of Contents
June 30, 2021**

	<u>Page</u>
Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	18
Statement of Fund Net Position - Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Notes to the Financial Statements	22

**Town of Bethel
Table of Contents
June 30, 2021**

	<u>Page</u>
 Required Supplemental Financial Data	
Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees’ Retirement Systems	50
Schedule of Contributions – Local Government Employees’ Retirement System	51
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance	52
Schedule of Total Pension Liability as a Percentage of Covered Payroll	53
 Individual Fund Statements and Schedules	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	54
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP) - Water and Sewer Fund	57
Reconciliation of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP) - Water and Sewer Fund	58
 Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	59
Analysis of Current Tax Levy - Town-wide Levy	60
 Compliance Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
Schedule of Findings and Questioned Costs	50
Corrective Action Plan	53
Summary Schedule of Prior Year Audit Findings	54

Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Bethel, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Total Pension Liability and Total Pension Liability as a percentage of coverer payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 29, 2021 on my consideration of Town of Bethel, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bethel, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Gregory S. Audman, CPA". The signature is fluid and cursive, with the letters "G", "S", and "A" being particularly prominent.

Tarboro, North Carolina
November 29, 2021

Management's Discussion and Analysis

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

As management of the Town of Bethel, we offer readers of the Town of Bethel's financial statements this narrative overview and analysis of the financial activities of the Town of Bethel for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

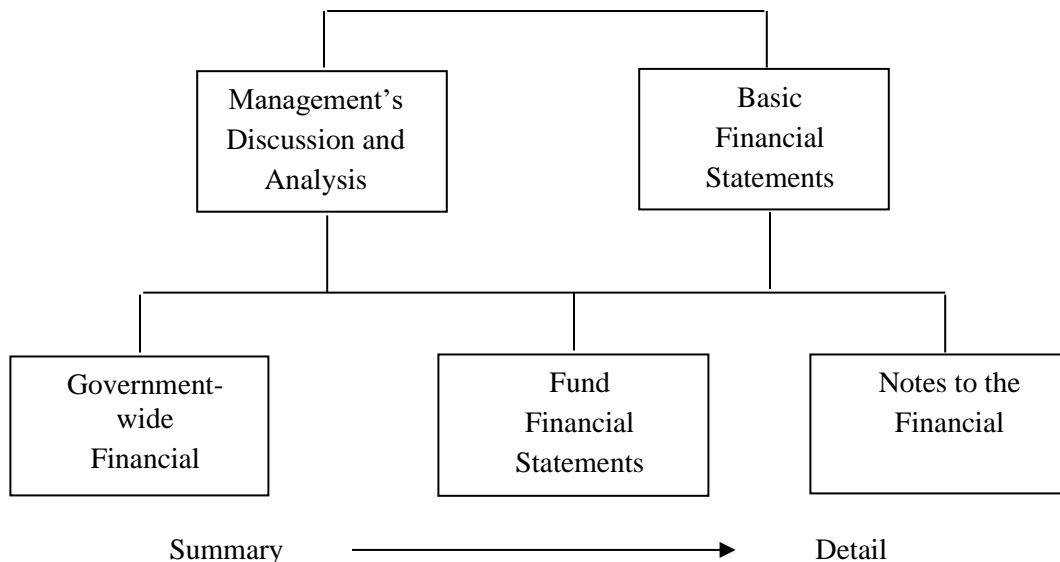
- The assets of the Town of Bethel exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,201,908 (net position).
- The government's total net position increased by \$3,952,204, primarily due to the increase in business type activities.
- As of the close of the current fiscal year, the Town of Bethel's governmental funds reported combined ending fund balances of \$2,302,633, an increase of \$435,095 in comparison with the prior year. Approximately 92 percent of this total amount, or \$2,113,085, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,113,085, or 254 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

**Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021**

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



Basic Financial Statements

The first two statements (Pages 12 and 13) 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 (Pages 14 through 21) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Basic Financial Statements**. 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.

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

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. Measuring net position is one way to gage the Town's financial condition.

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

The government-wide financial statements are on pages 12 and 13 of this report.

Fund Financial Statements

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

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

The Town of Bethel 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 as the end of the budgetary statement.

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

Proprietary Funds – Town of Bethel has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Bethel uses its enterprise fund to account for its water and sewer operations. In the financial statements, the wastewater capital projects fund is included with the water and sewer enterprise fund. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 22 of this report.

Government-wide Financial Analysis
Town of Bethel's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Current and other assets	\$2,337,795	\$1,891,441	\$ 638,614	\$ 225,452	\$ 2,976,409	\$ 2,116,893
Capital assets	996,937	1,054,633	14,790,615	15,358,447	15,787,552	16,413,080
Deferred outflows of resources	107,028	79,191	20,867	15,755	127,895	94,946
Total	\$3,441,760	\$3,025,265	\$15,450,096	\$15,599,654	\$18,891,856	\$18,624,919
Long-term liabilities	\$ 412,393	\$ 375,388	\$ 79,742	\$ 3,829,224	\$ 492,135	\$ 4,204,612
Other liabilities	14,563	10,723	124,903	86,840	139,466	97,563
Deferred inflows of resources	55,335	69,397	3,010	3,642	-	73,039
Total	\$ 482,291	\$ 455,508	\$ 207,655	\$ 3,919,706	\$ 631,601	\$ 4,375,214
Net position:						
Net investment in capital						
assets, net of related debt	\$ 796,808	\$ 883,198	\$14,755,128	\$11,564,577	\$15,551,936	\$12,447,775
Restricted	189,548	431,868	-	82,740	189,548	514,608
Unrestricted	1,973,113	1,254,691	487,311	32,630	2,460,424	1,287,321
Total Net Position	\$2,959,469	\$2,569,757	\$15,242,439	\$11,679,947	\$18,201,908	\$14,249,704

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bethel exceeded liabilities and deferred inflows by \$18,201,908 as of June 30, 2021. The Town's net position increased by \$3,952,204 for the fiscal year ended June 30, 2021.

However, the largest portion, \$15,551,936 (85%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment, and construction in progress). The Town of Bethel uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bethel's net investment in its capital assets is reported net of the

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bethel's net position \$189,548 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,460,424 (14%) is unrestricted.

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

- Decreased operating costs in the governmental activities and business-type activities.
- Capital contribution from the Greenville Utilities Commission and City of Greenville

Town of Bethel's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues:						
Program Revenues:						
Charges for services	\$ 151,865	\$ 122,295	\$ 999,972	\$ 719,281	\$ 1,151,837	\$ 841,576
Operating grants and contributions	101,796	117,986	114,300	-	216,096	117,986
Capital grants and contributions	-	-	4,088,422	247,374	4,088,422	247,374
General Revenues:			-	-		
Property taxes	488,411	422,744	-	-	488,411	422,744
Other taxes	-	-	-	-	-	-
Grants and contributions	490,597	433,566	-	-	490,597	433,566
Other	40,622	21,196	-	16,000	40,622	37,196
Total Revenues	<u>\$ 1,273,291</u>	<u>\$ 1,117,787</u>	<u>\$ 5,202,694</u>	<u>\$ 982,655</u>	<u>\$ 6,475,985</u>	<u>\$ 2,100,442</u>
Expenses:						
General government	\$ 287,336	\$ 263,173	\$ -	\$ -	\$ 287,336	\$ 263,173
Public safety	291,280	361,933	-	-	291,280	361,933
Transportation	93,062	82,316	-	-	93,062	82,316
Environmental protection	114,524	93,966	-	-	114,524	93,966
Cultural and recreation	89,463	89,411	-	-	89,463	89,411
Interest on long-term debt	7,914	8,779	-	136,015	7,914	144,794
Water and sewer	-	-	1,640,202	1,089,178	1,640,202	1,089,178
Total Expenses	<u>\$ 883,579</u>	<u>\$ 899,578</u>	<u>\$ 1,640,202</u>	<u>\$ 1,225,193</u>	<u>\$ 2,523,781</u>	<u>\$ 2,124,771</u>
Increase (Decrease) in Net Position	\$ 389,712	\$ 218,209	\$ 3,562,492	\$ (242,538)	\$ 3,952,204	\$ (24,329)
Net position, July 1	<u>2,569,757</u>	<u>2,351,548</u>	<u>11,679,947</u>	<u>11,922,485</u>	<u>14,249,704</u>	<u>14,274,033</u>
Net Position, June 30	<u><u>\$ 2,959,469</u></u>	<u><u>\$ 2,569,757</u></u>	<u><u>\$ 15,242,439</u></u>	<u><u>\$ 11,679,947</u></u>	<u><u>\$ 18,201,908</u></u>	<u><u>\$ 14,249,704</u></u>

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

Governmental Activities. Governmental activities increased the Town's net position by \$389,712. Key elements of this increase are as follows:

- Decrease in expenditures
- Increase in property tax revenues and local option sales tax revenues

Business-type Activities. Business-type activities increased the Town of Bethel's net position by \$3,562,492. Key elements of this decrease are as follows:

- Capital contribution from Greenville Utilities Commission and City of Greenville

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Bethel'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 Bethel'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 Bethel. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,113,085, while total fund balance reached \$2,302,633. 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 254 percent of total general fund expenditures, while total fund balance represents 277 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/increase services.

Revenues were more than the budgeted amounts. However, expenditures were greater than budgeted due to expenses in a number of departments, shown above as economic and physical development expenses.

Proprietary Funds. The Town of Bethel's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$487,311. The total increase in net position was \$3,562,492. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Bethel's business-type activities.

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

Capital Asset and Debt Administration

Capital assets. The Town of Bethel's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$15,787,553 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, park facilities, and vehicles.

There were no major capital asset transactions during the year.

Town of Bethel's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Land	\$ 126,622	\$ 126,622	\$ 18,231	\$ 18,231	\$ 144,853	\$ 144,853
Building and systems	96,743	103,875	-	-	96,743	103,875
Infrastructure	50,701	52,837	-	-	50,701	52,837
Parks	562,054	582,871	-	-	562,054	582,871
Plant and distribution system	-	-	14,772,385	15,340,217	14,772,385	15,340,217
Vehicle and motorized equipment	160,817	188,428	-	-	160,817	188,428
Total	<u>\$ 996,937</u>	<u>\$ 1,054,633</u>	<u>\$ 14,790,616</u>	<u>\$ 15,358,448</u>	<u>\$ 15,787,553</u>	<u>\$ 16,413,081</u>

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

Town of Bethel's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Compensated absences	\$ 7,134	\$ 15,157	\$ 2,424	\$ 6,307	\$ 9,558	\$ 21,464
Installment purchases	200,129	221,580	35,488	46,319	235,617	267,899
Net pension liability	180,436	129,073	41,831	29,047	222,267	158,120
Total pension liability	24,694	9,578	-	-	24,694	9,578
Revenue bonds	-	-	-	2,172,000	-	2,172,000
Construction notes	-	-	-	527,551	-	527,551
General obligation bonds	-	-	-	1,048,000	-	1,048,000
Total	<u>\$ 412,393</u>	<u>\$ 375,388</u>	<u>\$ 79,743</u>	<u>\$ 3,829,224</u>	<u>\$ 492,136</u>	<u>\$ 4,204,612</u>

As mentioned in the financial highlights section of this document, the Town of Bethel maintained its bond rating from Moody Investor Service and Standard and Poor's Corporation and Fitch Ratings at BBB+. This bond rating is a clear indication of the sound financial condition of the Town of Bethel.

Town of Bethel
Management Discussion and Analysis
For the Year Ended June 30, 2021

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries.

Additional information regarding the Town of Bethel's long-term debt can be found in Note B.1.4 of this report.

Economic Factors and Next Year's Budgets and Rates

- Decrease in operating budget for the general fund for personnel costs.

Governmental Activities. The Town increased the operating budget for the general fund for personnel costs.

Business-type Activities. Water and Sewer system was transferred July 1, 2021 to Greenville Utilities Commission.

Requests for Information

This report is designed to provide an overview of the Town of Bethel's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Bethel, North Carolina.

Basic Financial Statements

Town of Bethel, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,155,973	\$ 366,541	\$ 2,522,514
Taxes receivable	23,034	-	23,034
Accounts receivable (net)	25,149	236,233	261,382
Due from other governments	79,703	35,828	115,531
Restricted cash and cash equivalents	53,936	12	53,948
Total Current Assets	<u>\$ 2,337,795</u>	<u>\$ 638,614</u>	<u>\$ 2,976,409</u>
Capital Assets:			
Non-depreciable:			
Land, improvements, and water system	\$ 126,622	\$ 18,231	\$ 144,853
Depreciable:			
Other capital assets, net of depreciation	870,315	14,772,384	15,642,699
Total Capital Assets	<u>\$ 996,937</u>	<u>\$ 14,790,615</u>	<u>\$ 15,787,552</u>
Total Assets	<u>\$ 3,334,732</u>	<u>\$ 15,429,229</u>	<u>\$ 18,763,961</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 78,621	\$ 14,282	\$ 92,903
Contributions to pension plan in current fiscal year	28,407	6,585	34,992
Total Deferred Outflows of Resources	<u>\$ 107,028</u>	<u>\$ 20,867</u>	<u>\$ 127,895</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 12,125	\$ 124,149	\$ 136,274
Accrued interest payable	2,435	532	2,967
Customer deposits	-	12	12
Unavailable revenue	3	212	215
Total Current Liabilities	<u>\$ 14,563</u>	<u>\$ 124,905</u>	<u>\$ 139,468</u>
Long-term Liabilities:			
Net pension liability	\$ 180,436	\$ 41,831	\$ 222,267
Total pension liability	24,694	-	24,694
Due within one year	29,492	13,743	43,235
Due in more than one year	177,771	24,168	201,939
Total Long-term Liabilities	<u>\$ 412,393</u>	<u>\$ 79,742</u>	<u>\$ 492,135</u>
Total Liabilities	<u>\$ 426,956</u>	<u>\$ 204,647</u>	<u>\$ 631,603</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	\$ 55,335	\$ 3,010	\$ 58,345
NET POSITION			
Net investment in capital assets	\$ 796,808	\$ 14,755,128	\$ 15,551,936
Restricted for:			
Stabilization by State statute	104,852	-	104,852
Public safety	6,110	-	6,110
Transportation	47,826	-	47,826
USDA loan	30,760	-	30,760
Unrestricted	1,973,113	487,311	2,460,424
Total Net Position	<u>\$ 2,959,469</u>	<u>\$ 15,242,439</u>	<u>\$ 18,201,908</u>

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

Town of Bethel, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 287,336	\$ 470	\$ -	\$ -	\$ (286,866)	\$ -	\$ (286,866)
Public safety	291,280	161	54,044	-	(237,075)	-	(237,075)
Transportation	93,062	-	46,603	-	(46,459)	-	(46,459)
Environmental protection	114,524	116,004	1,149	-	2,629	-	2,629
Cultural and recreation	89,463	35,230	-	-	(54,233)	-	(54,233)
Interest on long-term debt	7,914	-	-	-	(7,914)	-	(7,914)
Total Governmental Activities	<u>\$ 883,579</u>	<u>\$ 151,865</u>	<u>\$ 101,796</u>	<u>\$ -</u>	<u>\$ (629,918)</u>	<u>\$ -</u>	<u>\$ (629,918)</u>
Business-type Activities:							
Water and sewer	<u>\$ 1,640,202</u>	<u>\$ 999,972</u>	<u>\$ 114,300</u>	<u>\$ 4,088,422</u>	<u>\$ -</u>	<u>\$ 3,562,492</u>	<u>\$ 3,562,492</u>
Total Primary Government	<u><u>\$ 2,523,781</u></u>	<u><u>\$ 1,151,837</u></u>	<u><u>\$ 216,096</u></u>	<u><u>\$ 4,088,422</u></u>	<u><u>\$ (629,918)</u></u>	<u><u>\$ 3,562,492</u></u>	<u><u>\$ 2,932,574</u></u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 488,411	\$ -	\$ 488,411
Grants and contributions not restricted to specific program					490,597	-	490,597
Insurance recovery					3,541	-	3,541
Unrestricted investment earnings					1,311	-	1,311
Miscellaneous revenue					23,045	-	23,045
Gain (loss) on disposal of fixed assets					12,725	-	12,725
Total General Revenues, Special Items, and Transfers					<u>\$ 1,019,630</u>	<u>\$ -</u>	<u>\$ 1,019,630</u>
Change in Net Position					<u>389,712</u>	<u>3,562,492</u>	<u>3,952,204</u>
Net Position, beginning					<u>\$ 2,569,757</u>	<u>\$ 11,679,947</u>	<u>\$ 14,249,704</u>
Net Position, ending					<u>\$ 2,959,469</u>	<u>\$ 15,242,439</u>	<u>\$ 18,201,908</u>

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

Town of Bethel, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,155,973	\$ 2,155,973
Restricted cash	53,936	53,936
Receivables, net:		
Taxes	23,034	23,034
Accounts	25,149	25,149
Due from other governments	79,703	79,703
Total Assets	<u>\$ 2,337,795</u>	<u>\$ 2,337,795</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 12,125	\$ 12,125
Total Liabilities	<u>\$ 12,125</u>	<u>\$ 12,125</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	\$ 23,034	\$ 23,034
Unearned revenue	3	3
Total Deferred Inflows of Resources	<u>\$ 23,037</u>	<u>\$ 23,037</u>
FUND BALANCES		
Restricted:		
Stabilization by State Statute	\$ 104,852	\$ 104,852
Public safety	6,110	6,110
Transportation	47,826	47,826
USDA loan	30,760	30,760
Unassigned	2,113,085	2,113,085
Total Fund Balances	<u>\$ 2,302,633</u>	<u>\$ 2,302,633</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,337,795</u>	<u>\$ 2,337,795</u>

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

Town of Bethel, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Reconciliation of fund balance as reported in the balance sheet governmental funds with net position of governmental activities.

Fund balance as reported in the balance sheet governmental funds	\$ 2,302,633
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Unavailable revenues are treated as liabilities in the funds rather than as revenue with full accrual accounting used for the Statement of Net Position.	23,034
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	996,937
Net pension liability	(180,436)
Total pension liability	(24,694)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	28,407
Pension related deferrals	23,286
Some liabilities, including bonds payable and accrued interest, and accrued not due and payable in the current period and therefore are not reported in the funds:	
Vacation accrual payable	(7,134)
Accrued interest payable	(2,435)
Long-term debt	(200,129)
Net Position of Governmental Activities	<u><u>\$ 2,959,469</u></u>

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

Town of Bethel
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund	
	General Fund	Total Funds
REVENUES		
Ad valorem taxes	\$ 481,295	\$ 481,295
Unrestricted intergovernmental	489,450	489,450
Restricted intergovernmental	70,360	70,360
Sales and services	151,234	151,234
Investment earnings	1,311	1,311
Miscellaneous	68,985	68,985
Total Revenues	<u>\$ 1,262,635</u>	<u>\$ 1,262,635</u>
EXPENDITURES		
Current:		
General Government	\$ 277,199	\$ 277,199
Public Safety	258,027	258,027
Transportation	90,390	90,390
Environmental protection	111,086	111,086
Cultural and recreational	64,711	64,711
Debt service	29,668	29,668
Total Expenditures	<u>\$ 831,081</u>	<u>\$ 831,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 431,554</u>	<u>\$ 431,554</u>
OTHER FINANCING SOURCES (USES)		
Insurance proceeds	\$ 3,541	\$ 3,541
Total Other Financing Sources (Uses)	<u>\$ 3,541</u>	<u>\$ 3,541</u>
Net Change in Fund Balance	\$ 435,095	\$ 435,095
Fund Balances, beginning	1,867,538	1,867,538
Fund Balances, ending	<u><u>\$ 2,302,633</u></u>	<u><u>\$ 2,302,633</u></u>

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

Town of Bethel, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 435,095
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	7,116
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	21,451
Decrease in accrued interest payable	303
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.	
Change in compensated absences	8,023
Pension expense	(52,987)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current	
Depreciation expense for governmental assets	(57,696)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	28,407
Total Changes in Net Position of Governmental Activities	\$ 389,712

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

Town of Bethel, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 355,375	\$ 355,375	\$ 481,295	\$ 125,920
Unrestricted intergovernmental	374,175	457,250	489,450	32,200
Restricted intergovernmental	50,625	73,198	70,360	(2,838)
Sales and services	126,700	133,200	151,234	18,034
Investment earnings	7,400	7,400	1,311	(6,089)
Miscellaneous	43,360	45,685	68,985	23,300
Total Revenues	<u>\$ 957,635</u>	<u>\$ 1,072,108</u>	<u>\$ 1,262,635</u>	<u>\$ 190,527</u>
EXPENDITURES				
Current:				
General government	\$ 273,945	\$ 313,445	\$ 277,199	\$ 36,246
Public safety	358,500	348,850	258,027	90,823
Transportation	107,750	130,175	90,390	39,785
Environmental protection	102,825	111,400	111,086	314
Cultural and recreational	68,758	79,708	64,711	14,997
Contingency	34,025	-	-	-
Debt service	11,832	29,682	29,668	14
Total Expenditures	<u>\$ 957,635</u>	<u>\$ 1,013,260</u>	<u>\$ 831,081</u>	<u>\$ 182,179</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 58,848</u>	<u>\$ 431,554</u>	<u>\$ 372,706</u>
Fund balance appropriated	<u>\$ -</u>	<u>\$ 295,502</u>	<u>\$ -</u>	<u>\$ (295,502)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Water Sewer Fund	\$ -	\$ (357,875)	\$ -	\$ 357,875
Insurance proceeds	-	3,525	3,541	16
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (354,350)</u>	<u>\$ 3,541</u>	<u>\$ 357,875</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,095</u>	<u>\$ 730,581</u>
Fund balance, beginning			<u>\$ 1,867,538</u>	
Fund balance, ending			<u><u>\$ 2,302,633</u></u>	

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

Town of Bethel, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Fund Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 366,541
Accounts receivable (net)	236,233
Due from other governments	35,828
Restricted cash and cash equivalents	12
Total Current Assets	<u>\$ 638,614</u>
Noncurrent Assets:	
Capital Assets:	
Water and Sewer System, net of depreciation	14,790,615
Total Noncurrent Assets	<u>\$ 14,790,615</u>
Total Assets	<u><u>\$ 15,429,229</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	\$ 14,282
Contributions to pension plan in current fiscal year	6,585
Total Deferred Outflows of Resources	<u>\$ 20,867</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 124,149
Current portion of long-term liabilities	13,743
Accrued interest payable	532
Customer deposits	12
Unavailable revenue	212
Total Current Liabilities	<u>\$ 138,648</u>
Noncurrent Liabilities:	
Net pension liabilities	\$ 41,831
Other noncurrent liabilities	24,168
Total Noncurrent Liabilities	<u>\$ 65,999</u>
Total Liabilities	<u>\$ 204,647</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>\$ 3,010</u>
NET POSITION	
Net investment in capital assets	\$ 14,755,128
Unrestricted	487,311
Total Net Position	<u><u>\$ 15,242,439</u></u>

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

Town of Bethel, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Fund Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 990,933
Other operating revenues	9,039
Total Operating Revenues	<u>\$ 999,972</u>
OPERATING EXPENSES	
Water treatment and distribution	\$ 201,523
Waste collection and treatment	870,847
Depreciation	567,832
Total Operating Expenses	<u>\$ 1,640,202</u>
Operating Income (Loss)	<u>\$ (640,230)</u>
NONOPERATING REVENUES (EXPENSES)	
AIA Grant	\$ 114,300
Total Nonoperating Revenue (Expenses)	<u>\$ 114,300</u>
Income (loss) before contributions and transfers	\$ (525,930)
Capital Contributions	<u>4,088,422</u>
Change in Net Position	\$ 3,562,492
Total Net Position, beginning	\$ 11,679,947
Total Net Position, ending	<u><u>\$ 15,242,439</u></u>

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

Town of Bethel, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Major Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 731,425
Payments to suppliers	(667,986)
Payments to or on behalf of employees for services	(91,581)
Customers deposits received, net	(64,943)
Other operating revenues	9,039
Net Cash Provided (Used) by Operating Activities	<u>\$ (84,046)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due to other funds	\$ (267,778)
Grant proceeds	114,301
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (153,477)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bond maturities	\$ (3,762,266)
Interest paid on bond maturities	(14,072)
Capital contributions	4,079,465
Net cash used by capital and related financing activities	<u>\$ 303,127</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 65,604</u>
Cash and Cash Equivalents, beginning of year	300,949
Cash and Cash Equivalents, end of year	<u><u>\$ 366,553</u></u>
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income (loss)	\$ (640,230)
Adjustments to reconcile operating income to net cash provided by:	
Depreciation	567,832
Increase in accounts receivable allowance	179,604
Increase in accounts payable and accrued liabilities	121,725
Decrease in customer deposits	(64,943)
Increase in deferred outflows of resources - pensions	(5,112)
Increase in net pension liability	12,784
Increase in deferred inflows of resources - pensions	(632)
Increase in accounts receivable	(259,508)
Decrease in prepaid revenue	(4,647)
Decrease in inventory	9,081
Total Adjustments	<u>\$ 556,184</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (84,046)</u></u>

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

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Bethel conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Bethel is a municipal corporation that is governed by an elected mayor and a five-member Board of Commissioners. These financial statements present the Town as required by accounting principles generally accepted in the United States of America.

B. Basis of Presentation - Fund Accounting

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Bethel because the tax is levied by Pitt County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. 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 functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$3,000. All amendments must be approved by the governing board. The governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at fair value. Because the NCCMT Government Portfolio has a weighted maturity of less than 90 days, it is projected as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.1. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Bethel Restricted Cash

Governmental Activities:

General Fund

Streets	\$ 47,826
Public safety	6,110
	<u>\$ 53,936</u>

Business-type Activities:

Water and Sewer Fund

Customer Deposits	<u>\$ 12</u>
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Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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. The taxes levied are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables at year end.

6. Inventories

Inventories are maintained for all enterprise fund supplies and materials held for subsequent use. They are valued at the lower of cost (first-in, first-out) or market. The costs of these inventories are expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows; land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$1,000; and vehicles, \$5,000. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Town's board has collectively decided not to retroactively pick-up infrastructure, as is optional for local governments with less than \$10 million in revenues as defined in GASB Statement No. 34, paragraph 143. Infrastructure is reported as a capital asset beginning with the year of implementation of GASB Statement No. 34, which was the fiscal year ending June 30, 2003.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Infrastructure	40 years
Improvements	25 years
Vehicles	10 years
Furniture and Equipment	10 years
Computer Equipment	5 years

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 several items that meet the criterion for this category – property taxes receivable, and pension deferrals.

9. Long-term Obligations

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

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

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) 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 is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

a. 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.

b. Fund Balances

In the governmental fund financial statements, fund balance is composed of two 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.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 the law through constitutional provisions or enabling legislation”. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Restricted for USDA Loan – portion of fund balance set aside for USDA loan payment.

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

12. Defined Benefit Cost-Sharing Plan

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 Bethel’s employer contributions are recognized when due and the Town of Bethel 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.

**Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

II. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

There were no excess expenditures over appropriations for the year ended June 30, 2021.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All 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 Town's 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 non-interest-bearing deposits and the 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 for collateralized public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,382,445 and a bank balance of \$2,384,606. Of the bank balance, \$258,036 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$350.

2. Investments

At June 30, 2021, the Town of Bethel had \$193,667 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
Government Portfolio	Level 1	\$ 193,667	N/A	AAAm
Total		\$ 193,667		

Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of less than twelve (12) months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk

The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investor Service as of June 30, 2021.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the balance sheet and the statement of net position is net of allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2021</u>
General Fund:	
Taxes receivable	\$ 10,324
Accounts receivable	105,383
Total	<u>\$ 115,707</u>
Enterprise Fund:	
Accounts receivable	<u>\$ 989,890</u>

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 126,622	\$ -	\$ -	\$ 126,622
Total Capital Assets Not Being Depreciated	\$ 126,622	\$ -	\$ -	\$ 126,622
Capital Assets Being Depreciated:				
Buildings	\$ 398,853	\$ -	\$ -	\$ 398,853
Furniture and equipment	141,899	-	-	141,899
Infrastructure	85,437	-	-	85,437
Parks	854,849	-	-	854,849
Vehicles	781,549	-	-	781,549
Total Capital Assets Being Depreciated	\$ 2,262,587	\$ -	\$ -	\$ 2,262,587
Less accumulated depreciation for:				
Buildings	\$ 294,978	\$ 7,132	\$ -	\$ 302,110
Furniture and equipment	141,899	-	-	141,899
Infrastructure	32,600	2,136	-	34,736
Parks	271,978	20,817	-	292,795
Vehicles	593,121	27,611	-	620,732
Total Accumulated Depreciation	\$ 1,334,576	\$ 57,696	\$ -	\$ 1,392,272
Total Capital Assets Being Depreciated, Net	928,011			870,315
Governmental Activity Capital Assets, Net	\$ 1,054,633			\$ 996,937

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

Public safety	\$ 30,807
Transportation	2,136
Cultural and recreational	24,753
Total Depreciation Expense	\$ 57,696

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

- b. Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 18,231	\$ -	\$ -	\$ 18,231
Total Capital Assets Not Being Depreciated	\$ 18,231	\$ -	\$ -	\$ 18,231
Capital Assets Being Depreciated:				
Plant and distribution systems	\$ 23,421,606	\$ -	\$ 296,307	\$ 23,125,299
Furniture and maintenance equipment	58,498	-	-	58,498
Vehicles	231,344	-	-	231,344
Total Capital Assets Being Depreciated	\$ 23,711,448	\$ -	\$ 296,307	\$ 23,415,141
Less accumulated depreciation for:				
Plant and distribution systems	\$ 8,081,389	\$ 567,832	\$ 296,307	\$ 8,352,914
Furniture and maintenance equipment	58,498	-	-	58,498
Vehicles	231,344	-	-	231,344
Total Accumulated Depreciation	\$ 8,371,231	\$ 567,832	\$ 296,307	\$ 8,642,756
Total Capital Assets Being Depreciated, Net	\$ 15,340,217			\$ 14,772,385
Water and Sewer Fund Capital Assets, Net	\$ 15,358,448			\$ 14,790,616

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Bethel is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Bethel employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Bethel's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Bethel were \$34,992 for the year ended June 30, 2021.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

At June 30, 2021, the Town reported a liability of \$222,267 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00622%, which was an increase of 0.00043% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$67,940. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,068	\$ -
Changes of assumptions	16,541	-
Net difference between projected and actual earnings on pension plan investments	31,278	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	15,991
Town contributions subsequent to the measurement date	34,992	-
Total	<u>\$ 110,879</u>	<u>\$ 15,991</u>

\$34,992 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Year ended June 30	
2022	13,745
2023	21,848
2024	15,047
2025	9,257
2026	-
Thereafter	-
	<u>\$ 59,897</u>

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

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

<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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$450,956	\$222,267	\$ 32,211

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 Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

b. Law Enforcement Officers Special Separation Allowance

1) Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	4
Total	<u><u>4</u></u>

2) Summary of Significant Accounting Policies

Basis of Accounting

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

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

3) Actuarial Assumptions

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

**Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

4) Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$24,694. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$(3,351).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,649	\$ 41,633
Changes of assumptions	12,367	721
Total	<u>\$ 17,016</u>	<u>\$ 42,354</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

<u>Year ended June 30</u>	
2022	\$ (6,991)
2023	(6,991)
2024	(7,557)
2025	(8,463)
2026	1,517
Thereafter	3,147
	<u>\$ (25,338)</u>

\$0 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the total pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.93 percent) or one percentage point higher (2.93 percent) than the current rate:

	1% Decrease <u>(0.93%)</u>	Discount Rate <u>(1.93%)</u>	1% Increase <u>(2.93%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 28,008	\$ 24,694	\$ 21,709

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

	<u>2020</u>
Beginning balance	\$ 9,578
Service cost	2,999
Interest on the total pension liability	312
Changes of benefit terms	-
Differences between expected and actual experience in the	555
Changes of assumptions or other inputs	11,250
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 24,694</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and 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.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 67,940	\$ (3,351)	\$ 64,589
Pension Liability	222,267	24,694	246,961
Proportionate share of the net pension liability	0.00622%	n/a	
Deferred of Outflows of Resources:			
Differences between expected and actual experience	28,068	4,649	32,717
Changes of assumptions	16,541	12,367	28,908
Net difference between projected and actual earnings on plan investments	31,278	-	31,278
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	34,992	-	34,992
Deferred of Inflows of Resources:			
Differences between expected and actual experience	-	41,633	41,633
Changes of assumptions	-	721	721
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	15,991	-	15,991

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

Contributions for the year ended June 30, 2021 were \$6,364, which consisted of \$5,014 from the Town and \$1,350 from the employees. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees.

Funding Policy

The Town elects to contribute each month an amount equal to two percent of each officer's salary if the employee elects one percent in voluntary contribution, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2021 were \$12,891, which consisted of \$4,126 from the Town and \$8,765 from the employees.

e. Other Employment Benefits

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

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 34,992
Differences between expected and actual experience	28,068
Changes of assumptions	16,541
Net difference between projected and actual	31,278
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total	<u>\$ 110,879</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 23,034
Changes of assumptions	721	-
Differences between expected and actual experience	41,633	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,991	-
	<u>\$ 58,345</u>	<u>\$ 23,034</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town carries commercial insurance for all risks of loss. Claims resulting from these risks have not exceeded coverage in any of the last three fiscal years. The Town has property, general liability, and auto liability coverage of \$2 million per occurrence and worker's compensation of \$100,000 per occurrence.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 is bonded for \$50,000. The remaining employees that have accesses to funds are bonded under a blanket bond for \$50,000.

4. Long-term Obligations

a. Installment Purchase

The Town has entered into a direct placement installment agreement with the USDA for funds used to purchase a Fire Truck with various equipment, and a Jet Vac Sewer Truck.

The equipment is pledged as collateral for the debt. The agreement was executed on February 2, 2004 and requires 20 annual payments of \$30,752, which includes interest of 4.5%.

Annual debt service requirements to maturity for the installment, including interest, are as follows:

Year Ending June 30	General Fund		Water and Sewer Fund		Total
	Principal	Interest	Principal	Interest	
2022	15,631	2,205	11,319	1,597	30,752
2023	16,334	1,502	11,828	1,088	30,752
2024	17,041	767	12,340	555	30,703
Total	<u>\$49,006</u>	<u>\$ 4,474</u>	<u>\$ 35,487</u>	<u>\$ 3,240</u>	<u>\$ 92,207</u>

The Town has entered into a direct placement installment agreement to purchase a fire truck. The equipment is pledged as collateral for the debt. The agreement was executed on February 22, 2018 and requires annual payments of \$11,827 at an interest rate of 3.375%.

The note contains provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner USDA may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Annual debt service requirements to maturity for the installment purchase, including \$49,987 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>General Fund</u>
2022	\$ 6,727	\$ 5,100	\$ 11,827
2023	6,954	4,873	11,827
2024	7,188	4,639	11,827
2025	7,419	4,408	11,827
2026	7,681	4,146	11,827
2027-2031	42,465	16,670	59,135
2032-2036	50,135	9,000	59,135
2037-2038	22,554	1,151	23,705
Total	<u>\$ 151,123</u>	<u>\$ 49,987</u>	<u>\$ 201,110</u>

b. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and that are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriate when due.

The Town's general obligation bonds were paid in full during the 2021 fiscal year.

c. Construction Notes

The Town has signed a 20-year direct borrowing note with the State of North Carolina for up to \$3,517,009 to finance the Wastewater Capital Project. The note was executed on August 3, 1999 with payments beginning November 2003. Through June 30, 2006, \$3,517,009 of the available loan amount has been received and used by the Town for construction. The construction loan was paid in full during 2021 fiscal year.

d. Revenue Bonds

Both revenue bonds were paid in full during 2021 fiscal year.

The Town does not have a loan that requires covenants at June 30, 2021.

Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

e. Changes in Long-term Liabilities

	July 1, 2020	Increases	Decreases	June 30, 2021	Current Portion
Governmental Activities:					
Compensated absences	\$ 15,157	\$ -	\$ 8,023	\$ 7,134	\$ 7,134
Direct placement -					
Installment purchases	221,580	-	21,451	200,129	22,358
Net pension liability	129,073	51,363	-	180,436	-
Total pension liability	9,578	15,116	-	24,694	-
Total	<u>\$ 441,804</u>	<u>\$66,479</u>	<u>\$ 29,474</u>	<u>\$ 412,393</u>	<u>\$29,492</u>
Business-type Activities:					
Compensated absences	\$ 6,307	\$ -	\$ 3,883	\$ 2,424	\$ 2,424
Direct placement -					
Installment purchases	46,319	-	10,831	35,488	11,319
Net pension liability	29,047	12,784	-	41,831	-
General obligation bonds	1,048,000	-	1,048,000	-	-
Revenue bond	2,172,000	-	2,172,000	-	-
Direct borrowing -					
Construction notes	527,551	-	527,551	-	-
Total	<u>\$4,339,704</u>	<u>\$12,784</u>	<u>\$3,762,265</u>	<u>\$ 79,743</u>	<u>\$ -</u>

At June 30, 2021, the Town of Bethel had a legal debt margin of \$5,560,104.

5. Fund Balance

Net Investment in Capital Assets

	Governmental	Business-Type
Capital Assets	\$ 996,937	\$ 14,790,616
Less: Long-term debt	(200,129)	(35,488)
Net Investment in Capital Assets	<u>\$ 796,808</u>	<u>\$ 14,755,128</u>

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

**Town of Bethel, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

Total fund balance - General Fund	\$ 2,302,630
Less:	
Stabilization by State Statute	104,852
Public safety	6,110
Streets-Powell Bill	47,826
Debt Service	30,760
Remaining Fund Balance	2,113,082

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

As of November 29, 2021, the completion of the financial statements, there was one material subsequent events that were required to be reported. On July 1, 2021, a Water and Wastewater Systems Ownership Transfer Agreement was executed. Bethel transferred to Greenville Utilities Commission and the City of Greenville all pipes, water lines, hydrants, wastewater lines, pump stations, force mains, meters, meter boxes, and service laterals, elevated water tanks, maintenance facilities, and all other appurtenances normally associated with the Town of Bethel's waste and wastewater system. All of the Town's rights, titles, and interests in land, easements, and encroachment agreements necessary to operate the Town's water and wastewater system was transferred. On that date, the Commission issued bonds to retire the existing outstanding bonded indebtedness of the Town of Bethel.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Town of Bethel, North Carolina
Town of Bethel's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Bethel's proportion of the net pension liability (asset) (%)	0.00622%	0.00579%	0.00529%	0.00758%	0.00705%	0.00687%	0.00681%	0.00670%
Town of Bethel's proportion of the net pension liability (asset) (\$)	\$ 222,267	\$ 158,120	\$ 125,497	\$ 115,801	\$ 149,625	\$ 30,832	\$ (40,162)	\$ (80,761)
Town of Bethel's covered-employee payroll	\$ 311,114	\$ 281,479	\$ 277,594	\$ 333,626	\$ 324,607	\$ 400,344	\$ 398,650	\$ 390,620
Town of Bethel's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.44%	56.17%	45.21%	34.71%	46.09%	7.70%	-10.07%	-20.68%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Town of Bethel, North Carolina
Town of Bethel's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 34,992	\$ 29,066	\$ 20,266	\$ 21,832	\$ 24,761	\$ 23,453	\$ 25,259	\$ 26,573
Contributions in relation to the contractually required contributions	34,992	29,066	20,266	21,832	24,761	23,453	25,259	26,573
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Bethel's covered-employee payroll	\$ 336,900	\$ 311,114	\$ 281,479	\$ 277,594	\$ 333,626	\$ 324,607	\$ 400,344	\$ 398,650
Contributions as a percentage of covered-employee payroll	10.39%	9.34%	7.20%	7.86%	7.42%	7.23%	6.31%	6.67%

Town of Bethel, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 9,578	\$ 6,041	\$75,371	\$52,924	\$48,843
Service cost	2,999	2,751	2,026	4,784	3,993
Interest on the total pension liability	312	220	2,382	2,043	1,744
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	555	99	(73,334)	10,223	-
Changes of assumptions or other inputs	11,250	467	(404)	5,397	(1,656)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 24,694</u>	<u>\$ 9,578</u>	<u>\$ 6,041</u>	<u>\$ 75,371</u>	<u>\$ 52,924</u>

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

Town of Bethel, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$24,694	\$ 9,578	\$ 6,041	\$75,371	\$52,924
Covered payroll	161,415	159,050	106,385	202,090	163,863
Total pension liability as a percentage of covered payroll	15.30%	6.02%	5.68%	37.30%	32.30%

Notes to the schedules:

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

Supplemental Information

Town of Bethel, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad Valorem Taxes:			
Taxes		\$ 475,417	
Penalties and interest		5,878	
Total Ad Valorem Taxes	<u>\$ 355,375</u>	<u>\$ 481,295</u>	<u>\$ 125,920</u>
Unrestricted Intergovernmental:			
Local option sales taxes		\$ 413,167	
Utility franchise tax		69,822	
Beer and wine tax		6,461	
Total Unrestricted Intergovernmental	<u>\$ 457,250</u>	<u>\$ 489,450</u>	<u>\$ 32,200</u>
Restricted Intergovernmental:			
Powell Bill allocation		\$ 46,603	
Court costs, fees, and charges		85	
Solid waste disposal tax		1,149	
Miscellaneous grants		22,523	
Total Restricted Intergovernmental	<u>\$ 73,198</u>	<u>\$ 70,360</u>	<u>\$ (2,838)</u>
Sales and Services:			
Solid waste disposal fees		\$ 116,004	
Cemetery fees		35,230	
Total Sales and Services	<u>\$ 133,200</u>	<u>\$ 151,234</u>	<u>\$ 18,034</u>
Investment earnings	<u>\$ 7,400</u>	<u>\$ 1,311</u>	<u>\$ (6,089)</u>
Miscellaneous:			
Fire and rescue fees		\$ 53,544	
Donations		1,280	
Sale of fixed assets		12,725	
Other miscellaneous		1,436	
Total Miscellaneous	<u>\$ 45,685</u>	<u>\$ 68,985</u>	<u>\$ 23,300</u>
Total Revenues	<u>\$ 1,072,108</u>	<u>\$ 1,262,635</u>	<u>\$ 190,527</u>
EXPENDITURES			
General Government:			
Governing Body:			
Salaries and employee benefits		\$ 10,658	
Other operating expenditures		289	
Total Governing Body	<u>\$ 14,800</u>	<u>\$ 10,947</u>	<u>\$ 3,853</u>

Town of Bethel, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2021

<i>(Expenditures continued)</i>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Administration:			
Salaries and employee benefits		\$ 118,981	
Other operating expenditures		140,977	
Total Administration	\$ 293,745	\$ 259,958	\$ 33,787
Taxes:			
Collection fees		6,294	
Total Taxes	\$ 4,900	\$ 6,294	\$ (1,394)
Total General Government	\$ 313,445	\$ 277,199	\$ 36,246
Public Safety:			
Police:			
Salaries and employee benefits		\$ 177,155	
Other operating expenditures		42,070	
Total Police	\$ 293,325	\$ 219,225	\$ 74,100
Fire:			
Vehicle maintenance		\$ 9,488	
Other operating expenditures		29,314	
Total Fire	\$ 55,525	\$ 38,802	\$ 16,723
Total Public Safety	\$ 348,850	\$ 258,027	\$ 90,823
Transportation:			
Streets and Highways:			
Salaries and employee benefits		\$ 39,598	
Other operating expenditures		50,792	
Total Transportation	\$ 130,175	\$ 90,390	\$ 39,785
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits		\$ 38,841	
Other operating expenditures		72,245	
Total Environmental Protection	\$ 111,400	\$ 111,086	\$ 314
Cultural and Recreation:			
Parks and Recreation:			
Operating expenditures		\$ 1,734	
Total Parks and Recreation	\$ 6,175	\$ 1,734	\$ 4,441
Libraries:			
Operating expenditures		\$ 25,392	
Total Libraries	55 \$ 28,083	\$ 25,392	\$ 2,691

Town of Bethel, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
<i>(Expenditures continued)</i>			
Senior Center:			
Operating expenditures		\$ 10,610	
Total Senior Center	\$ 18,475	\$ 10,610	\$ 7,865
Cemetery:			
Operating expenditures		\$ 26,975	
Total Senior Center	\$ 26,975	\$ 26,975	\$ -
Total Cultural and Recreation	\$ 79,708	\$ 64,711	\$ 14,997
Debt Service:			
Interest		\$ 8,217	
Principal retirement		21,451	
Total Debt Service	\$ 29,682	\$ 29,668	\$ 14
Total Expenditures	\$ 1,013,260	\$ 831,081	\$ 182,179
Fund balance appropriated	\$ 295,502	\$ -	\$ (295,502)
Other Financing Sources (Uses):			
Transfer to Water Sewer Fund	(357,875)	\$ -	
Insurance proceeds	3,525	3,541	
Total Other Financing Sources (Uses)	\$ (354,350)	\$ 3,541	\$ 357,891
Net Change in Fund Balance	\$ -	\$ 435,095	\$ 435,095
Fund balance, beginning		1,867,538	
Fund balances, ending		\$ 2,302,633	

Town of Bethel, North Carolina
Water and Sewer
Schedule of Revenues and Expenditures
Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating Revenues:			
Water sales		\$ 363,991	
Sewer charges		626,942	
Other operating revenues		9,039	
Total Operating Revenues	<u>\$ 816,160</u>	<u>\$ 999,972</u>	<u>\$ 183,812</u>
Total Revenues	<u>\$ 816,160</u>	<u>\$ 999,972</u>	<u>\$ 183,812</u>
EXPENDITURES			
Water Treatment and Distribution:			
Salaries and employee benefits		\$ 52,516	
Maintenance		3,328	
Other operating expenditures		33,221	
GUC Analysis		112,050	
Total Operating Expenditures	<u>\$ 262,275</u>	<u>\$ 201,115</u>	<u>\$ 61,160</u>
Waste Collection and Treatment:			
Salaries and employee benefits		\$ 39,065	
Other operating expenditures		829,033	
Total Waste Collection and Treatment	<u>\$ 892,491</u>	<u>\$ 868,098</u>	<u>\$ 24,393</u>
Debt Service:			
Interest and other charges		\$ -	
Principal retirement		3,767,192	
Total Debt Service	<u>\$ 3,977,251</u>	<u>\$ 3,767,192</u>	<u>\$ 210,059</u>
Total Expenditures	<u>\$ 5,132,017</u>	<u>\$ 4,836,405</u>	<u>\$ 295,612</u>
Revenues Over (Under) Expenditures Before Other			
Financing Sources (Uses) and Fund Balance			
Appropriated	<u>\$ (4,315,857)</u>	<u>\$ (3,836,433)</u>	<u>\$ 479,424</u>
Other Financing Sources (Uses):			
Pitt County		\$ 50,413	
City of Greenville		8,957	
Greenville Utilities		4,023,790	
AIA Grant		114,300	
Transfer from General Fund		-	
Total Other Financing Sources (Uses)	<u>\$ 4,315,857</u>	<u>\$ 4,197,460</u>	<u>\$ (118,397)</u>
Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses and Fund			
Balance Appropriated	<u>\$ -</u>	<u>\$ 361,027</u>	<u>\$ 361,027</u>

Town of Bethel, North Carolina
Water and Sewer
Schedule of Revenues and Expenditures
Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

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

Revenues Over (Under) Expenditures	<u>\$ 361,027</u>
Reconciling items:	
Vacation accrual	3,883
Principal retirement	3,758,382
Depreciation	(567,832)
Accrued interest	14,072
Decrease in deferred outflows of resources - pensions	5,112
Increase in net pension liability	(12,784)
Decrease in deferred inflows of resources - pensions	633
Total Reconciling Items	<u>\$ 3,201,466</u>
Change in Net Position	<u><u>\$ 3,562,493</u></u>

Other Schedules

This section contains additional information on property taxes.

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

**Town of Bethel
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021**

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 478,147	\$ 464,834	\$ 13,313
2019-2020	9,629	-	4,059	5,570
2018-2019	4,677	-	1,038	3,639
2017-2018	3,338	-	946	2,392
2016-2017	3,077	-	933	2,144
2015-2016	2,243	-	885	1,358
2014-2015	1,253	-	31	1,222
2013-2014	2,771	-	350	2,421
2012-2013	1,846	-	547	1,299
2011-2012	1,185	-	1,184	-
	<u>\$ 30,019</u>	<u>\$ 478,147</u>	<u>\$ 474,807</u>	<u>\$ 33,358</u>
Less: allowance for uncollectible Ad valorem taxes receivable	(14,101)			(10,324)
Ad valorem taxes receivable - net	<u>\$15,918</u>			<u>\$ 23,034</u>
Reconcilement with revenues: Taxes - Ad valorem - General Fund				\$ 481,295
Reconciling Items:				
Interest collected				(5,878)
Taxes written off				1,186
Releases				1,164
Discounts allowed				565
Total Reconciling Items				<u>\$ (2,963)</u>
Total Collections and Credits				<u>\$ 478,332</u>

Town of Bethel
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 72,060,758	0.66	\$ 475,601	\$ 395,670	\$ 79,931
Total	\$ 72,060,758		\$ 475,601	\$ 395,670	\$ 79,931
Discoveries	562,121	0.66	3,710	3,710	-
Abatements	(176,364)	0.66	(1,164)	(1,164)	-
Total Property Valuation	<u>\$ 72,446,515</u>				
Net Levy			\$ 478,147	\$ 398,216	\$ 79,931
Uncollected Taxes at June 30, 2021			<u>\$ (13,313)</u>	<u>\$ (13,313)</u>	<u>\$ -</u>
Current Year's Taxes Collected			<u>\$ 464,834</u>	<u>\$ 384,903</u>	<u>\$ 79,931</u>
Current Levy Collection Percentage			<u>97.22%</u>	<u>96.66%</u>	<u>100.00%</u>



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Certified Public Accountants

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American Institute of
Certified Public Accountants

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Bethel, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Bethel, North Carolina's basic financial statements, and have issued my report thereon dated November 29, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Bethel, North Carolina's internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bethel's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Bethel's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questions costs, I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be material weaknesses reported as 2021-001 and 2021-002.

Compliance and Other Matters

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

Town of Bethel's Response to Findings

The Town of Bethel's responses to the findings identified in my audit are described in the accompanying schedule of findings and response. The Town of Bethel's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Gregory T. Redman, CPA
Tarboro, North Carolina
November 29, 2021

**Town of Bethel, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

Material Weakness

Finding 2021-001

Segregation of Duties

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.
Statement of Condition:	There is lack of segregation of duties among Town personnel.
Questioned Cost:	N/A
Effect:	The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.
Cause:	The Town has limited employees to handle all financial transactions.
Identification of a repeat finding:	Yes
Recommendation:	The Town should examine its internal control procedures and segregate duties within the Town's accounting function. As much as possible, the Town should use alternative controls to compensate for the lack of separation. The Governing Board should provide some of these controls.
Views of responsible officials and planned corrective actions:	The Town agrees with this finding.

**Town of Bethel, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

None Reported.