

Town of Bunn

Financial Statements

For the Fiscal Year Ended June 30, 2021

Town Council Members

Marsha Strawbridge, Mayor

Sherry Mercer

Nicole Brantley

Mack Jones

Don Mitchell

Administrative and Financial Staff

Pamela Perry, Town Administrator

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June 30, 2021**

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Financial Section

Independent Auditor's Report



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Independent Auditor's Report

To the Honorable Mayor
And Members of the Board of Commissioners
Town of Bunn
Bunn, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Bunn, 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 Bunn'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Bunn ABC Board which represents 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Bunn ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Bunn, 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 on pages 8 through 15, the Local Government Employees'

Retirement System's Schedules of the Proportionate Share of the Net Pension Asset(Liability) and Contributions, on pages 52 through 53, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 54 and 55 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Bunn, North Carolina. The budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022 on our consideration of the Town of Bunn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bunn's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

August 1, 2022

Management's Discussion and Analysis

Town of Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

As management of the Town of Bunn, we offer readers of the Town of Bunn's financial statements this narrative overview and analysis of the financial activities of the Town of Bunn 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

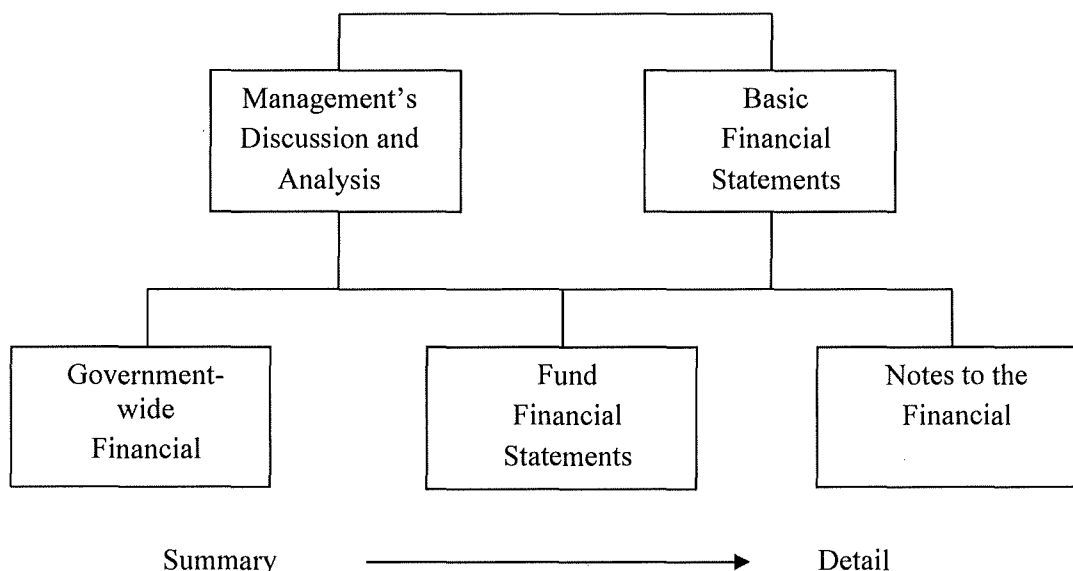
- The assets of the Town of Bunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,010,578 (net position).
- The government's total net position increased by \$606,124 primarily due to increases in the governmental activities net position.
- At the close of the current fiscal year, the Town of Bunn's governmental funds reported combined ending fund balances of \$847,072 with a net change of \$20,097 in fund balance. Approximately 23.48 percent of this total amount, or \$247,737, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$599,335, or 122.64 percent of total general fund expenditures for the fiscal year.
- The Town of Bunn's total debt decreased by \$359,741 (9.43%) during the current fiscal year. The key factor in this increase was the Town obtained bond proceeds to finance the waste water treatment plant upgrades.

Overview of the Financial Statements

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

**Town of Bunn, North Carolina
Management's 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 11 and 12) 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 13 through 18) 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**. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, **Supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

Town of Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, 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 and electric services offered by the Town of Bunn. The final category is the component unit. Although legally separate from the Town, the Town of Bunn ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 17 and 18 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 Bunn, 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 Bunn 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 Bunn 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 Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Government-wide Financial Analysis
Town of Bunn's Net Assets

Figure 2

Current and other assets	\$ 896,892	\$ 867,291	\$ 1,201,416	\$ 1,356,804	\$ 2,098,308	\$ 2,224,095
Capital assets	245,289	238,267	3,958,664	3,430,523	4,203,953	3,668,790
Deferred outflows of resources	51,302	62,307	34,501	11,417	85,803	73,724
Total Assets	<u>\$ 1,193,483</u>	<u>\$ 1,105,558</u>	<u>\$ 5,194,581</u>	<u>\$ 4,798,744</u>	<u>\$ 6,388,064</u>	<u>\$ 5,904,302</u>
Long-term liabilities	\$ 40,788	\$ 40,853	\$ 1,089,042	\$ 1,184,738	\$ 1,129,830	\$ 1,225,591
Other liabilities	7,282	13,797	165,486	279,037	172,768	292,834
Deferred inflows of resources	54,494	58,975	2,811	(4,203)	57,305	54,772
Total Liabilities	<u>\$ 102,564</u>	<u>\$ 113,625</u>	<u>\$ 1,257,339</u>	<u>\$ 1,459,572</u>	<u>\$ 1,302,598</u>	<u>\$ 1,518,425</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 245,289	\$ 238,267	\$ 2,869,622	\$ 2,281,740	\$ 3,114,911	\$ 2,520,007
Restricted	247,737	151,819	-	-	247,737	151,819
Unrestricted	580,310	664,154	1,067,620	1,057,432	1,647,930	1,721,586
Total Net Assets	<u>\$ 1,073,336</u>	<u>\$ 1,054,240</u>	<u>\$ 3,937,242</u>	<u>\$ 3,339,172</u>	<u>\$ 5,010,578</u>	<u>\$ 4,393,412</u>

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 Bunn exceeded liabilities and deferred inflows by \$5,010,578 as of June 30, 2021. The Town's net position increased by \$606,124 for the fiscal year ended June 30, 2021. However, the largest portion (61.95%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bunn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bunn's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bunn's net position \$247,737 (4.95%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,647,930 is unrestricted.

Town of Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Town of Bunn'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	\$ 79,636	\$ 61,438	\$ 982,889	\$ 1,012,788	\$ 1,062,525	\$ 1,074,226
Operating grants and contributions	39,357	45,502	-	-	39,357	45,502
Capital grants and contributions	-	-	661,028	184,972	661,028	184,972
General Revenues:						
Property taxes	173,682	180,723	-	-	173,682	180,723
Grants and contributions not restricted to specific programs	190,534	179,199	-	-	190,534	179,199
Other	24,514	7,606	4,452	21,366	28,966	28,972
Total Revenues	<u>\$ 507,723</u>	<u>\$ 474,468</u>	<u>\$ 1,648,369</u>	<u>\$ 1,219,126</u>	<u>\$ 2,156,092</u>	<u>\$ 1,693,594</u>
Expenses:						
General government	\$ 99,364	\$ 116,545	\$ -	\$ -	\$ 99,364	\$ 116,545
Public safety	286,116	240,715	-	-	286,116	240,715
Transportation	47,120	29,500	-	-	47,120	29,500
Sanitation	58,596	52,838	-	-	58,596	52,838
Cultural and recreation	8,473	5,319	-	-	8,473	5,319
Interest on long-term debt	-	-	8,627	3,984	8,627	3,984
Water and sewer	-	-	1,041,672	1,041,661	1,041,672	1,041,661
Total Expenses	<u>\$ 499,669</u>	<u>\$ 444,917</u>	<u>\$ 1,050,299</u>	<u>\$ 1,045,645</u>	<u>\$ 1,549,968</u>	<u>\$ 1,490,562</u>
Increase in Net Position	\$ 8,054	\$ 29,551	\$ 598,070	\$ 173,481	\$ 606,124	\$ 203,032
Net Position, July 1	1,054,240	1,024,689	3,339,172	3,165,691	4,393,412	4,190,380
Prior period adjustment	11,042	-	-	-	11,042	-
Net Position, July 1	1,065,282	1,024,689	3,339,172	3,165,691	4,393,412	4,190,380
Net Position, June 30	<u>\$ 1,073,336</u>	<u>\$ 1,054,240</u>	<u>\$ 3,937,242</u>	<u>\$ 3,339,172</u>	<u>\$ 5,010,578</u>	<u>\$ 4,393,412</u>

Governmental Activities. Governmental activities increased the Town's net position by \$8,054.

Business-type Activities. Business-type activities increased the Town's net position by \$598,070.

Town of Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Bunn. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$599,335, while total fund balance reached \$847,072. The Town currently has an available fund balance 122.64 percent of the total General Fund expenditures.

At June 30, 2021, the General Fund of Town of Bunn reported a fund balance of \$847,072 a 2.43 percent increase over last year.

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

Proprietary Funds. The Town of Bunn'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 \$1,067,897. The total increase in net position for the fund was \$598,070. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Bunn's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Bunn's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$4,203,953 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

**Town of Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Town of Bunn'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 and construction in progress	\$ 2,664	\$ 2,664	\$ 34,471	\$ 656,733	\$ 37,135	\$ 659,397
Buildings and systems	8,990	9,589	88,164	91,265	97,154	100,854
Improvements	105,966	111,075	-	-	105,966	111,075
Waste Water Treatment Plant	-	-	2,903,398	1,780,585	2,903,398	1,780,585
Plant and distributive systems	-	-	790,759	844,513	790,759	844,513
Machinery and equipment	42,555	50,374	-	-	42,555	50,374
Vehicles and motorized equipment	85,114	64,565	141,872	57,427	226,986	121,992
Total	<u>\$ 245,289</u>	<u>\$ 238,267</u>	<u>\$ 3,958,664</u>	<u>\$ 3,430,523</u>	<u>\$ 4,203,953</u>	<u>\$ 3,668,790</u>

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

Long-term Debt. As of June 30, 2021, the Town of Bunn had construction notes outstanding of \$1,089,042.

**Town of Bunn's Outstanding Debt
General Obligation and Revenue Bonds**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Net pension liability	\$ 38,932	\$ 24,945	\$ 50,046	\$ 35,955	\$ 88,978	\$ 60,900
Total pension liability	1,867	15,908	-	-	1,867	15,908
Construction notes	-	-	1,089,042	712,783	1,089,042	712,783
Compensated Absences	4,593	1,304	5,376	5,839	9,969	7,143
Total	<u>\$ 45,392</u>	<u>\$ 42,157</u>	<u>\$ 1,144,464</u>	<u>\$ 754,577</u>	<u>\$ 1,189,856</u>	<u>\$ 796,734</u>

The Town of Bunn's total bonded debt increased by \$376,259 (152.79%) during the past fiscal year.

Additional information regarding the Town of Bunn's long-term debt can be found in Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town of Bunn.

**Town of Bunn, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

- Bunn is a municipality of Franklin County. Franklin County at June 30, 2021 has experienced an unemployment rate of 4.9%, which is equal to the state average of 4.9%.
- Franklin County had a revaluation effective January 1, 2013. This revaluation had a positive effect on revenues for fiscal year June 30, 2021 and will continue to enhance revenue in the future.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Revenues and expenditures are expected to remain comparable with 2020-2021 revenues and expenditures.

Business-type Activities: Revenues and expenditures are expected to remain comparable with 2020-2021 revenues and expenditures.

Requests for Information

This report is designed to provide an overview of the Town of Bunn'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 Pamela Perry, Town Clerk, Bunn Town Hall, Bunn, North Carolina.

Basic Financial Statements

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

	Primary Government			Town of Bunn
	Governmental	Business-type	Total	ABC Board
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 682,654	\$ 1,213,049	\$ 1,895,703	\$ 234,979
Restricted cash	39,407	17,593	57,000	-
Taxes receivables (net)	15,872	-	15,872	-
Accrued interest receivable on taxes	3,187	-	3,187	-
Accounts receivable (net) - trade	4,182	95,022	99,204	-
Due from other governments	20,832	5,880	26,712	-
Internal balances	130,128	(130,128)	-	-
Inventories	-	-	-	75,499
Prepaid items	630	-	630	4,908
Total Current Assets	\$ 896,892	\$ 1,201,416	\$ 2,098,308	\$ 315,386
Non-current assets:				
Land, non-depreciable improvements, and construction in progress	\$ 2,664	\$ 34,471	\$ 37,135	\$ -
Other capital assets, net of depreciation	242,625	3,924,193	4,166,818	30,010
Total Capital Assets	\$ 245,289	\$ 3,958,664	\$ 4,203,953	\$ 30,010
Total Assets	\$ 1,142,181	\$ 5,160,080	\$ 6,302,261	\$ 345,396
DEFERRED OUFLOWS OF RESOURCES				
Pension deferrals	51,302	\$ 34,501	85,803	18,727
LIABILITIES				
Current Liabilities:				
Accounts payable - trade	\$ 17,572	\$ 43,598	\$ 61,170	\$ 76,630
Payroll liabilities	2,689	4,808	7,497	1,067
Accrued expenses	-	-	-	91,770
Compensated absences - current	4,593	5,376	9,969	-
Liabilities payable from restricted assets:				
Accounts payable	-	44,065	44,065	-
Customer deposits	-	17,593	17,593	-
Long-term Liabilities:				
Net pension liability	38,932	50,046	88,978	37,164
Total pension liability	1,867	-	1,867	-
Due within one year	-	59,741	59,741	-
Due in more than one year	-	1,029,301	1,029,301	-
Total Liabilities	\$ 65,653	\$ 1,254,528	\$ 1,320,181	\$ 206,631
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	\$ 10,500	\$ -	\$ 10,500	\$ -
Pension deferrals	43,994	2,811	46,805	3,352
Total deferred inflows of resources	\$ 54,494	\$ 2,811	\$ 57,305	\$ 3,352
NET POSITION				
Net investment in capital assets	\$ 245,289	\$ 2,869,622	\$ 3,114,911	\$ 30,010
Restricted for:				
Stabilization by State Statute	155,772	-	155,772	-
Transportation	62,222	-	62,222	-
Public safety	3,685	-	3,685	-
Recreation	26,058	-	26,058	-
Working capital	-	-	-	36,142
Unrestricted	580,310	1,067,620	1,647,930	87,988
Total Net Position	\$ 1,073,336	\$ 3,937,242	\$ 5,010,578	\$ 154,140

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

Town of Bunn, 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			Town of Bunn ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 99,364	\$ 27,176	\$ 28,698	\$ -	\$ (43,490)	\$ -	\$ (43,490)	\$ -
Public safety	286,116	2,341	-	-	(283,775)	-	(283,775)	-
Transportation	47,120	-	10,659	-	(36,461)	-	(36,461)	-
Sanitation	58,596	49,409	-	-	(9,187)	-	(9,187)	-
Cultural and recreation	8,473	710	-	-	(7,763)	-	(7,763)	-
Total Governmental Activities	\$ 499,669	\$ 79,636	\$ 39,357	\$ -	\$ (380,676)	\$ -	\$ (380,676)	\$ -
Business-type Activities:								
Water and sewer	\$ 1,050,299	\$ 982,889	\$ -	\$ 661,028	\$ -	\$ 593,618	\$ 593,618	\$ -
Total Business-type Activities	\$ 1,050,299	\$ 982,889	\$ -	\$ 661,028	\$ -	\$ 593,618	\$ 593,618	\$ -
Total Primary Government	\$ 1,549,968	\$ 1,062,525	\$ 39,357	\$ 661,028	# \$ (380,676)	\$ 593,618	\$ 212,942	\$ -
Component Unit:								
ABC Board	\$ 1,206,521	\$ 1,212,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000
Total Component Unit	\$ 1,206,521	\$ 1,212,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					\$ 173,682	\$ -	\$ 173,682	\$ -
Grants and contributions not restricted to specific programs					190,534	-	190,534	-
Unrestricted investment earnings					94	347	441	-
Miscellaneous					24,420	4,105	28,525	-
Total General Revenues and Transfers					\$ 388,730	\$ 4,452	\$ 393,182	\$ -
Change in Net Position					8,054	598,070	606,124	6,000
Net Position, beginning, previously reported					1,054,240	3,339,172	4,393,412	148,140
Prior period adjustment					11,042	-	11,042	-
Net Position, beginning, restated					1,065,282	3,339,172	4,404,454	148,140
Net Position, ending					\$ 1,073,336	\$ 3,937,242	\$ 5,010,578	\$ 154,140

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

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

	<u>General Fund</u>	<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 682,654	\$ -	\$ 682,654
Restricted cash	39,407	-	39,407
Receivables, net:			
Taxes	15,872	-	15,872
Accounts	4,182	-	4,182
Prepaid expenses	630	-	630
Due from other funds	130,128	-	130,128
Due from other governments	20,832	-	20,832
Total Assets	<u>\$ 893,705</u>	<u>\$ -</u>	<u>\$ 893,705</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable - trade	\$ 17,572	\$ -	\$ 17,572
Payroll liabilities	2,689	-	2,689
Total Liabilities	<u>\$ 20,261</u>	<u>\$ -</u>	<u>\$ 20,261</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	\$ 15,872	\$ -	\$ 15,872
Unearned revenue	10,500	-	10,500
Total deferred inflows of resources	<u>\$ 26,372</u>	<u>\$ -</u>	<u>\$ 26,372</u>
FUND BALANCE			
Restricted:			
Stabilization by State Statute	\$ 155,772	\$ -	\$ 155,772
Streets	62,222	-	62,222
Public safety	3,685	-	3,685
Recreation	26,058	-	26,058
Unassigned	599,335	-	599,335
Total Fund Balances	<u>\$ 847,072</u>	<u>\$ -</u>	<u>\$ 847,072</u>
Total Liabilities and Fund Balances	<u>\$ 893,705</u>	<u>\$ -</u>	<u>\$ 893,705</u>

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

Total Fund Balance, Governmental Funds	\$ 847,072
--	------------

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Gross capital assets at historical cost	496,002	
Accumulated depreciation	(250,713)	245,289
Net pension liability		(38,932)
Deferred outflows of resources related to pensions are not reported in the funds		51,302
Total pension liability		(1,867)

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	3,187
Pension related deferrals	(43,994)

Liabilities for earned revenues considered deferred revenues in fund statements	15,872
Compensated absences included as net position below	(4,593)
Net Position of Governmental Activities	<u>\$ 1,073,336</u>

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

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

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 173,566	\$ 173,566
Other taxes and licenses	2,672	2,672
Unrestricted intergovernmental	183,923	183,923
Restricted intergovernmental	39,357	39,357
Permits and fees	8,952	8,952
Sales and services	72,292	72,292
Investment earnings	94	94
Miscellaneous	7,025	7,025
Total Revenues	<u>\$ 487,881</u>	<u>\$ 487,881</u>
EXPENDITURES		
Current:		
General government	\$ 93,654	\$ 93,654
Public safety	286,159	286,159
Transportation	47,120	47,120
Sanitation	58,596	58,596
Cultural and recreation	3,153	3,153
Total Expenditures	<u>\$ 488,682</u>	<u>\$ 488,682</u>
Excess of Revenues Over Expenditures	<u>\$ (801)</u>	<u>\$ (801)</u>
OTHER FINANCING SOURCES		
Insurance recovery	<u>20,898</u>	<u>20,898</u>
Net Change in Fund Balance	\$ 20,097	\$ 20,097
Fund Balances, beginning	826,975	826,975
Fund Balances, ending	<u><u>\$ 847,072</u></u>	<u><u>\$ 847,072</u></u>

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

Town of Bunn, North Carolina
Reconciliation of the Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds		\$ 20,097
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay for governmental activities	\$ 34,396	
Loss on disposal of assets	2,795	
Depreciation expense for governmental activities	<u>(35,621)</u>	\$ 1,570
Benefit payments paid and administrative expense for LEOSA are not included on the Statement of Activities		15,908
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase in accrued interest receivables		254
Change in unavailable revenue for tax revenues		1,482
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(3,289)
Pension expense		(27,968)
Total changes in net position of governmental activities		<u><u>\$ 8,054</u></u>

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

Town of Bunn, 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	\$ 184,230	\$ 184,230	\$ 173,566	\$ (10,664)
Other taxes and licenses	1,250	3,875	2,672	(1,203)
Unrestricted intergovernmental	108,625	134,225	183,923	49,698
Restricted intergovernmental	15,650	48,006	39,357	(8,649)
Permits and fees	3,950	3,950	8,952	5,002
Sales and services	63,725	66,600	72,292	5,692
Investment earnings	450	450	94	(356)
Miscellaneous	7,750	10,795	7,025	(3,770)
Total Revenues	385,630	452,131	487,881	35,750
EXPENDITURES				
Current:				
General government	93,375	121,275	93,654	27,621
Public safety	228,300	323,006	286,159	36,847
Transportation	15,650	50,850	47,120	3,730
Sanitation	44,000	45,075	58,596	(13,521)
Cultural and recreation	-	3,175	3,153	
Total Expenditures	381,325	543,381	488,682	54,677
Revenues Over (Under) Expenditures	4,305	(91,250)	(801)	90,427
OTHER FINANCING SOURCES				
Insurance recovery	-	20,875	20,898	23
Contingency	(4,305)	-	-	-
Appropriated fund balance	-	70,375	-	(70,375)
Total Other Financing Sources	(4,305)	91,250	20,898	(70,352)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	\$ -	\$ -	20,097	\$ 20,075
Fund balances, beginning			826,975	
Fund balances, ending			\$ 847,072	

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

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

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,213,049
Accounts receivable (net) - billed - trade	95,022
Intergovernmental receivables	5,880
Restricted cash and cash equivalents	17,593
Total Current Assets	<u>1,331,544</u>
Noncurrent Assets:	
Capital Assets:	
Land and other nondepreciable assets	34,471
Other capital assets, net of depreciation	3,924,193
Capital Assets (Net)	<u>3,958,664</u>
Total Noncurrent Assets	<u>3,958,664</u>
Total Assets	<u>5,290,208</u>
DEFERRED OUTFLOWS OF RESOURCES	34,501
LIABILITIES	
Current Liabilities:	
Accounts payable - trade	43,598
Payroll liabilities	4,808
Due to other funds	130,128
Compensated absences - current	5,376
Construction notes - current	59,741
Liabilities payable from restricted assets:	
Accounts payable	44,065
Customer deposits	17,593
Total Current Liabilities	<u>305,309</u>
Noncurrent Liabilities:	
Net pension liability	50,046
Other Noncurrent Liabilities:	
Construction notes - noncurrent (net)	1,029,301
Total Noncurrent Liabilities	<u>1,079,347</u>
Total Liabilities	<u>1,384,656</u>
DEFERRED INFLOWS OF RESOURCES	2,811
NET POSITION	
Net investment in capital assets	2,869,622
Unrestricted	1,067,620
Total Net Position	<u><u>\$ 3,937,242</u></u>

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

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

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 981,074
Water and sewer taps	1,815
Other operating revenues	4,105
Total Operating Revenues	<u>986,994</u>
OPERATING EXPENSES	
Water treatment and distribution	325,649
Water collection and treatment	575,907
Depreciation	140,116
Total Operating Expenses	<u>1,041,672</u>
Operating Income (Loss)	<u>(54,678)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	347
Capital contributions	661,028
Interest and other charges	(8,627)
Total Nonoperating Revenue (Expenses)	<u>652,748</u>
Change in Net Position	598,070
Net Position, beginning	<u>3,339,172</u>
Net Position, ending	<u><u>\$ 3,937,242</u></u>

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

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

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,035,819
Cash paid for goods and services	(706,535)
Cash paid to or on behalf of employees for services	(216,759)
Other operating revenues	4,105
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,630</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Collections (payments) due/to other funds	\$ 137,145
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 137,145</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bond maturities and equipment contracts	\$ (59,741)
Interest paid on bond maturities and equipment contracts	(8,627)
Acquisition and construction of capital assets	(659,738)
Capital contributions - federal grant.	661,028
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (67,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	347
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 187,044
Balances, beginning	1,043,598
Balances, ending	<u><u>\$ 1,230,642</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ (54,678)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	140,116
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) decrease in accounts receivable	52,930
(Increase) decrease in deferred outflows of resources - pensions	(23,084)
Increase (decrease) in net pension liability	14,091
Increase (decrease) in deferred inflows of resources - pensions	7,014
Increase (decrease) in accounts payable and accrued liabilities	(18,698)
Increase (decrease) in customer deposits	(598)
Increase (decrease) in accrued vacation pay	(463)
Total Adjustments	<u>\$ 171,308</u>
Net Cash Provided by Operating Activities	<u><u>\$ 116,630</u></u>

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

Notes to the Financial Statements

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

A. Reporting Entity

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

Town of Bunn ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Bunn, ABC Board, Post Office Box 235, Bunn, North Carolina 27508.

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

The 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 emphasis of fund financial statements is on major governmental and enterprise funds, each

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

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.

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 and construction, sanitation 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds 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 Bunn, 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

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

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

2. Cash and Cash Equivalents

All cash and cash equivalents are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-471.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town does not maintain inventories. The ABC Board inventories are valued at cost (first-in, first-out), which approximates market. The cost of these inventories is expensed when held for resale rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$2,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$2,500; infrastructure, \$25,000; furniture and equipment, \$2,500; and vehicles, \$2,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the fair value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	40
Infrastructure	40
Improvements	10
Furniture and Equipment	10
Vehicles	3

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

Asset Class	Estimated Useful Lives
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**Town of Bunn, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

Furniture and Equipment

5-10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

10. Compensated Absences

The vacation policy of the Town does not provide for the accumulation of up to thirty days paid vacation leave, with the benefit being fully vested when earned. For the Town government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

11. Net Position/Fund Balances

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

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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures.

Restricted for Recreation – portion of fund balance that is restricted by revenue source for recreation expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Bunn's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

12. Pensions

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

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

recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

The audit report was submitted late due to turnover at the audit firm. This finding is considered immaterial.

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for environmental protection (sanitation) activities by \$13,521. This over-expenditure occurred because of miscalculating the utility accrual at year end. For the fiscal year ended June 30, 2021, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board for Water Treatment and Distribution activities by \$99,219. This over-expenditure occurred due to management not properly budgeting enough for year-end accruals. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,950,521 and a bank balance of \$2,033,010. Of the bank balance, \$360,925 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of

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

deposits for the ABC Board was \$234,329 and the bank balance was \$247,523. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2021, the Town has petty cash totaling \$200.

2. Investments

At June 30, 2021, the Town of Bunn had \$1,778 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.

3. Receivables

Due from other governments that is owed to the Town consists of the following:

	Governmental Activities
Local option sales tax	\$ 15,081
Utility franchise and telecommunications tax	5,684
Solid Waste Disposal Tax	67
Total	<u>\$ 20,832</u>

Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 1,919
Enterprise Fund:	
Accounts receivable	51,966
Total	<u>\$ 53,885</u>

4. Capital Assets

Primary Government

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

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

	Beginning Balances, restated	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,664	\$ -	\$ -	\$ 2,664
Total Capital Assets Not Being Depreciated	\$ 2,664	\$ -	\$ -	\$ 2,664
Capital Assets Being Depreciated:				
Building	\$ 23,972	\$ -	\$ -	\$ 23,972
Improvements	167,073	-	-	167,073
Furniture and equipment	173,142	-	-	173,142
Vehicles	118,709	34,396	23,954	129,151
Total Capital Assets Being Depreciated	\$482,896	\$ 34,396	\$ 23,954	\$493,338
Less accumulated depreciation for:				
Buildings	\$ 14,383	\$ 599	\$ -	\$ 14,982
Improvements	55,998	5,109	-	61,107
Furniture and equipment	122,768	7,819	-	130,587
Vehicles	43,102	22,094	21,159	44,037
Total accumulated depreciation	\$236,251	\$ 35,621	\$ 21,159	\$250,713
Total Capital Assets Being Depreciated, Net	246,645			242,625
Governmental Activity Capital Assets, Net	<u>\$249,309</u>			<u>\$245,289</u>

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

General government	\$ 5,708
Public safety	24,593
Cultural and recreation	5,320
Total depreciation expense	<u>\$ 35,621</u>

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

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

	Beginning Balances, restated	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 34,471	\$ -	\$ -	\$ 34,471
Construction in progress	622,262	559,023	1,181,285	-
Total Capital Assets Not Being Depreciated	<u>\$ 656,733</u>	<u>\$ 559,023</u>	<u>\$ 1,181,285</u>	<u>\$ 34,471</u>
Capital Assets being Depreciated:				
Buildings	\$ 149,131	\$ -	\$ -	\$ 149,131
Improvements	9,920	-	-	9,920
Waste Water Treatment Center	2,179,395	1,181,353	-	3,360,748
Plant and distribution systems	3,272,132	11,151	-	3,283,283
Furniture and equipment	6,823	-	6,823	-
Vehicles and equipment	210,712	98,083	-	308,795
Total Capital Assets Being Depreciated	<u>\$5,828,113</u>	<u>\$ 1,290,587</u>	<u>\$ 6,823</u>	<u>\$7,111,877</u>
Less accumulated depreciation for:				
Buildings	\$ 57,866	\$ 3,101	\$ -	\$ 60,967
Improvements	9,920	-	-	9,920
Waste Water Treatment Center	398,810	58,540	-	457,350
Plant and distribution systems	2,427,619	64,905	-	2,492,524
Furniture and equipment	6,824	-	6,824	-
Vehicles and equipment	153,284	13,639	-	166,923
Total Accumulated Depreciation	<u>\$3,054,323</u>	<u>\$ 140,185</u>	<u>\$ 6,824</u>	<u>\$3,187,684</u>
Total Capital Assets Being Depreciated, Net	<u>\$2,773,790</u>			<u>\$3,924,193</u>
Water and Sewer Fund Capital Assets, Net	<u>\$3,430,523</u>			<u>\$3,958,664</u>

- c. Discretely Presented Component Unit - Activity for the ABC Board for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ABC Capital Assets, Net				
Capital Assets Being Depreciated:				
Furniture and equipment	\$ 79,733	\$ 16,838	\$ -	\$ 96,571
Total Capital Assets Being Depreciated	<u>\$ 79,733</u>	<u>\$ 16,838</u>	<u>\$ -</u>	<u>\$ 96,571</u>
Less accumulated depreciation for:				
Furniture and equipment	\$ 58,534	\$ 8,027	\$ -	\$ 66,561
Total accumulated depreciation	<u>\$ 58,534</u>	<u>\$ 8,027</u>	<u>\$ -</u>	<u>\$ 66,561</u>
Total ABC Capital Assets, Net	<u>\$ 21,199</u>			<u>\$ 30,010</u>

B. Liabilities

1. Pension Plan Obligations

- a. Local Government Employees' Retirement System

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

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Bunn 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 Bunn'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 and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Bunn were \$22,178 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 \$88,978 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 asset 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 0.00249%, which was an increase of 0.00023% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$32,426. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,236	\$ -
Changes of assumptions	6,622	-
Net difference between projected and actual earnings on pension plan investments	12,521	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,784	4,997
Town contributions subsequent to the measurement date	22,178	-
Total	<u>\$ 61,341</u>	<u>\$ 4,997</u>

\$22,178 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 10,163
2023	13,406
2024	6,893
2025	3,706
2026	-
Thereafter	-
	<u>\$ 34,168</u>

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

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

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

Town of Bunn, 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.

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, 2015 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at 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

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

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 180,527	\$ 88,978	\$ 12,895

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

b. Law Enforcement Officers Special Separation Allowance

1) Plan Description

The Town of Bunn 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 five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Inactive members currently receiving benefits	-
Active members	2
Total	<u>2</u>

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

2) Summary of Significant Accounting Policies

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

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

3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

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

4) Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. 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 no 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 \$1,867. 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 \$(3,168).

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

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 21,517	\$ 40,962
Changes of assumptions	2,945	846
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 24,462</u>	<u>\$ 41,808</u>

\$0 paid as benefits came due and administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	(4,708)
2023	(4,708)
2024	(2,987)
2025	(1,521)
2026	(3,422)
Thereafter	-

\$0 paid as benefits came due and \$0 of administrative expenses 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 Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 1,923	\$ 1,867	\$ 1,810

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

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

	<u>2020</u>
Beginning balance	\$ 15,908
Service Cost	1,021
Interest on the total pension liability	519
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,363)
Changes of assumptions or other inputs	(218)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,867</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.

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:

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

	LGERS	LEOSSA	Total
Pension Expense	32,426	(3,168)	29,258
Pension Liability	88,978	1,867	90,845
Proportionate share of the net pension liability	0	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	11,236	21,517	32,753
Changes of assumptions	6,622	2,945	9,567
Net difference between projected and actual earnings on plan investments	12,521	-	12,521
Changes in proportion and differences between contributions and proportionate share of contributions	8,784	-	8,784
Benefit payments and administrative costs paid subsequent to the measurement date	22,178	-	22,178
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	40,962	40,962
Changes of assumptions	-	846	846
Changes in proportion and differences between contributions and proportionate share of contributions	4,997	-	4,997

a) Supplemental Retirement Income Plan for Law Enforcement Officers

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

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.

The Town made contributions of \$4,403 for the reporting year. No amounts were forfeited.

b) Supplemental Retirement Income Plan for Employees

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of

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

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 employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the Plan.

The Town made contributions of \$3,095 for the reporting year. No amounts were forfeited.

c) Other Post-employment Benefits

The Town has also 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. Because the benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

The Town has deferred outflows of resources. Deferred inflows of resources at year-end are comprised of the following:

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 22,178
Differences between expected and actual experience	32,753
Changes of assumptions	9,567
Net difference between projected and actual	12,521
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,784
	\$ -
Total	<u><u>\$ 85,803</u></u>

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	\$ -	\$ 15,872
Tower rental	10,500	10,500
Changes in assumptions	846	
Differences between expected and actual experience	40,962	
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,997	
Total	<u><u>\$ 57,305</u></u>	<u><u>\$ 26,372</u></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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

in any of the past three fiscal years.

The Town was not deemed to be located in a flood zone and is not required to carry flood insurance.

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 individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

4. Long-term Obligations

a. General Obligation Indebtedness

The Town has no general obligation bonds serviced by the governmental fund.

Serviced by the Water Sewer Fund

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which 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 appropriated when due.

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

Bonds payable, serviced by the Water and Sewer Fund, at June 30, 2021, are comprised of the following individual issues:

	<u>Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
\$238,728 2013 Sewer Rehab loan in annual installments of \$11,936; Interest at 2.455%	<u>\$ 139,092</u>	<u>\$ 11,591</u>	<u>\$ 127,501</u>
Total	<u><u>\$ 139,092</u></u>	<u><u>\$ 11,591</u></u>	<u><u>\$ 127,501</u></u>

	<u>Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
\$803,000 Waste Water Treatment loan in annual installments of \$40,150; Interest at 0%	<u>\$ 521,950</u>	<u>\$ 40,150</u>	<u>\$ 481,800</u>
Total	<u><u>\$ 521,950</u></u>	<u><u>\$ 40,150</u></u>	<u><u>\$ 481,800</u></u>

	<u>Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
\$436,000 Water and Sewer, Series 2020 in annual installments of \$8,000 plus interest; Interest at 1.75%	<u>\$ 428,000</u>	<u>\$ 8,000</u>	<u>\$ 420,000</u>
	<u><u>\$ 428,000</u></u>	<u><u>\$ 8,000</u></u>	<u><u>\$ 420,000</u></u>

Annual debt service requirements to maturity for long-term bond obligations are as follows:

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

Year	Business-type Activities	
	Principal Payments	Interest Payments
2022	11,591	3,415
2023	11,591	3,130
2024	11,591	2,846
2025	11,591	2,561
2026	11,591	2,276
2027-2031	57,955	7,114
2032-2033	23,182	854
Total	139,092	22,196

Year	Business-type Activities	
	Principal Payments	Interest Payments
2022	40,150	-
2023	40,150	-
2024	40,150	-
2025	40,150	-
2026	40,150	-
2027-2031	200,750	-
2032-2034	120,450	-
Total	521,950	-

Year	Business-type Activities	
	Principal Payments	Interest Payments
2022	8,000	7,490
2023	8,000	7,350
2024	8,000	7,210
2025	8,000	7,070
2026	8,000	6,930
2027-2031	44,000	32,445
2032-2036	48,000	28,473
2037-2041	52,000	24,133
2042-2046	57,000	19,408
2047-2051	62,000	14,245
2052-2056	68,000	8,610
2057-2060	57,000	2,503
Total	428,000	165,867

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

At June 30, 2021, the Town of Bunn had no bonds authorized but un-issued and a legal debt margin of \$1,256,782.

b. Changes in Long-term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 1,304	\$ 3,289	\$ -	\$ 4,593	\$ 4,593
Net pension liability	24,945	13,987	-	38,932	-
Total pension liability (LEO)	15,908	-	14,041	1,867	-
Governmental Activities Long-term Liabilities	<u>\$ 70,969</u>	<u>\$ 17,276</u>	<u>\$ 14,041</u>	<u>\$ 45,392</u>	<u>\$ 4,593</u>
Business Activities:					
Water and Sewer Fund:					
Bonds	\$ 1,148,783	\$ -	\$ 59,741	\$ 1,089,042	\$ 59,741
Net pension liability	35,955	14,091	-	50,046	-
Compensated absences	5,839	-	463	5,376	5,376
Business-type Long-term Liabilities	<u>\$ 833,162</u>	<u>\$ 14,091</u>	<u>\$ 60,204</u>	<u>\$ 787,049</u>	<u>\$ 65,117</u>

C. Interfund Balances and Activity

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

Due from (to) Other Fund	
General Fund:	
Due from Water Sewer	\$ 130,128
Water Sewer Fund:	
Due to General Fund	(130,128)
Total	<u>\$ -</u>

The interfund balances results from the time lag between the dates that (1) interfund goods and services are provided or reimburseable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Fund Balance

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

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

Total fund balance - General Fund	\$ 847,072
Less:	
Stabilization by State Statute	155,772
Public Safety	3,685
Streets - Powell Bill	62,222
Recreation	26,058
Remaining Fund Balance	<u>\$ 599,335</u>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Commitments

The Town has entered into an agreement for waste water management services that obligate it to pay \$58,596 in 2021.

VI. Subsequent Events

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditor's report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosures.

VII. Prior Year Adjustment

Management corrected its Statement of Activities to report additional revenue of \$11,042, an immaterial amount, for the prior year.

Supplementary Statements

Town of Bunn, North Carolina
Town of Bunn'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
Bunn's proportion of the net pension liability (asset) (%)	0.0022%	0.0022%	0.0031%	0.0017%	0.00240%	0.00247%	0.00292%	0.00370%
Bunn's proportion of the net pension liability (asset) (\$)	\$ 88,978	\$ 60,900	\$ 72,831	\$ 25,971	\$ 50,937	\$ (11,085)	\$ (17,219)	\$ 44,599
Bunn's covered payroll	\$ 203,969	\$ 152,392	\$ 152,224	\$ 152,224	\$ 171,770	\$ 195,340	\$ 219,601	\$ 227,796
Bunn's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.62%	39.96%	47.84%	17.06%	29.65%	(5.67%)	(7.84%)	19.58%
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%

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

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

Town of Bunn, North Carolina
Town of Bunn'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	\$ 22,178	\$ 15,378	\$ 12,175	\$ 11,900	\$ 11,602	\$ 11,813	\$ 13,867	\$ 15,780
Contributions in relation to the contractually required contribution	22,178	15,378	12,175	11,900	11,602	11,813	13,867	15,780
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bunn's covered payroll	\$ 217,502	\$ 203,969	\$ 152,392	\$ 152,224	\$ 152,224	\$ 171,770	\$ 195,340	\$ 219,601
Contributions as a percentage of covered payroll	10.20%	7.54%	7.99%	7.82%	7.62%	6.88%	7.10%	7.19%

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

	2021	2020	2019	2018	2017
Beginning balance	\$ 15,908	38,112	59,067	\$ 6,258	\$ 5,071
Service Cost	1,021	1,059	1,666	3,180	1,203
Interest on the total pension liability	519	1,387	1,867	242	181
Difference between expected and actual experience	(15,363)	(25,175)	(23,184)	44,109	-
Changes of assumptions or other inputs	(218)	525	(1,304)	5,278	(197)
Ending balance of the total pension liability	<u>\$ 1,867</u>	<u>\$ 15,908</u>	<u>\$ 38,112</u>	<u>\$ 59,067</u>	<u>\$ 6,258</u>

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

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

	2021	2020	2019	2018	2017
Total pension liability	\$ 1,867	\$ 15,908	\$ 38,112	\$ 59,067	\$ 6,258
Covered payroll	61,503	66,207	76,386	120,996	77,046
Total pension liability as a percentage of covered payroll	3.04%	24.03%	49.89%	48.82%	8.12%

Notes to the schedules:

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

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

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad Valorem Taxes:			
Current year	\$ 184,230	\$ 172,259	\$ (11,971)
Penalties and interest	-	1,307	1,307
Total Ad Valorem Taxes	184,230	173,566	(10,664)
Other Taxes and Licenses:			
Zoning fees	3,700	2,300	(1,400)
Privilege licenses	175	372	197
Total Other Taxes and Licenses	3,875	2,672	(1,203)
Unrestricted Intergovernmental:			
Local option sales taxes	69,375	82,583	13,208
Utility franchise tax	21,000	26,382	5,382
Beer and wine tax	-	1,491	1,491
Waste disposal tax	175	249	74
ABC profit distribution	43,675	73,218	29,543
Total Unrestricted Intergovernmental	134,225	183,923	49,698
Restricted Intergovernmental:			
Powell Bill allocation	15,650	10,659	(4,991)
COVID grant	32,356	28,698	(3,658)
Total Restricted Intergovernmental	48,006	39,357	(8,649)
Permits and Fees:			
Court fees	150	41	(109)
Citations	3,800	2,300	(1,500)
Cable franchise fees	-	6,611	6,611
Total Permits and Fees	3,950	8,952	5,002
Sales and services:			
Tower rent	14,600	18,883	4,283
Garbage collection	48,000	49,409	1,409
Cemetery lot sales	4,000	4,000	-
Total Sales and Services	66,600	72,292	5,692
Investment Earnings	450	94	(356)
Miscellaneous	10,795	7,025	(3,770)
Total Revenues	\$ 452,131	\$ 487,881	\$ 35,750

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General Government:			
Salaries and employee benefits	7,600	6,943	657
Legal and audit	6,650	1,421	5,229
Postage and telephone	4,250	4,490	(240)
Utilities	13,500	13,775	(275)
Other	89,275	67,025	22,250
Total General Government	<u>121,275</u>	<u>93,654</u>	<u>27,621</u>
Public Safety:			
Police:			
Salaries and employee benefits	231,138	212,328	18,810
Vehicle maintenance	6,000	4,642	1,358
Equipment maintenance	500	64	436
Other operating expenditures	50,268	34,087	16,181
Capital outlay	35,100	35,038	62
Total Public Safety	<u>323,006</u>	<u>286,159</u>	<u>36,847</u>
Transportation:			
Streets and Highways:			
Street repair and maintenance	50,850	47,120	3,730
Total Transportation	<u>50,850</u>	<u>47,120</u>	<u>3,730</u>
Sanitation:			
Garbage collection	45,075	58,596	(13,521)
Cultural and recreation:			
Contract services	3,175	3,153	22
Total Expenditures	<u>543,381</u>	<u>488,682</u>	<u>54,677</u>
Revenues Over (Under) Expenditures	<u>(91,250)</u>	<u>(801)</u>	<u>90,427</u>
OTHER FINANCING SOURCES			
Insurance recovery	20,875	20,898	23
Appropriated fund balance	70,375	-	(70,375)
Total Other Financing Sources	<u>91,250</u>	<u>20,898</u>	<u>(70,352)</u>
Revenues and Other Financing Sources over			
Expenditures and Other Financing Uses	<u>\$ -</u>	20,097	<u>\$ 20,097</u>
Fund Balances, beginning		<u>826,975</u>	
Fund Balances, ending		<u>\$ 847,072</u>	

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

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Water sales	\$ 477,675	\$ 514,196	\$ 36,521
Sewer charges	436,700	466,878	30,178
Total Operating Revenues	<u>\$ 914,375</u>	<u>\$ 981,074</u>	<u>\$ 66,699</u>
Water and sewer taps	9,125	1,815	(7,310)
Other Operating Revenues	4,650	4,105	(545)
Total Other Operating Revenues	<u>\$ 928,150</u>	<u>\$ 986,994</u>	<u>\$ 58,844</u>
Nonoperating Revenues:			
Interest earnings	200	347	147
Total Revenues	<u>\$ 928,350</u>	<u>\$ 987,341</u>	<u>\$ 58,991</u>
EXPENDITURES			
Water Treatment and Distribution:			
Salaries and employee benefits	\$ 231,200	\$ 205,774	\$ 25,426
Supplies	6,425	4,278	2,147
Other operating expenditures	138,450	124,347	14,103
Repairs and maintenance	153,250	252,469	(99,219)
Total Water Treatment and Distribution	<u>\$ 529,325</u>	<u>\$ 586,868</u>	<u>\$ (57,543)</u>
Water and sewer purchases	330,575	325,649	4,926
Debt service:			
Interest and other charges		\$ 8,627	
Principal retirement		59,741	
Total Debt Service	<u>\$ 68,450</u>	<u>\$ 68,368</u>	<u>\$ 82</u>
Total Expenditures	<u>\$ 928,350</u>	<u>\$ 980,885</u>	<u>\$ (52,535)</u>
OTHER FINANCING SOURCES			
Appropriated fund balance	-	-	-
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 6,456</u>	<u>\$ 6,456</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other sources over			
expenditures and other uses		6,456	
Reconciling items:			
Principal retirement		59,741	
Capital outlay		8,518	
Capital contribution		661,028	
Decrease in accrued vacation pay		460	
Pension expense		1,983	
Depreciation		(140,116)	
Net Income		<u>\$ 598,070</u>	

Town of Bunn, North Carolina
Sewer System Improvements Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2021

	Original Project Authorization	Final Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:						
Restricted Intergovernmental:						
USDA grants	\$ 846,000	\$ 846,000	\$ 184,972	\$ 661,028	\$ 846,000	\$ -
Total Revenues	<u>846,000</u>	<u>846,000</u>	<u>184,972</u>	<u>661,028</u>	<u>846,000</u>	<u>-</u>
Expenditures:						
Wastewater Systems Improvements Project:						
Construction	835,551	835,551	473,978	456,429	930,407	(94,856)
Engineering	152,000	152,000	137,994	85,889	223,883	(71,883)
Legal	26,000	26,000	10,290	-	10,290	15,710
Project Inspection	128,000	128,000	-	4,900	4,900	123,100
Contingency, permit fees, etc	120,449	120,449	-	100,715	100,715	19,734
Capitalized Interest	20,000	20,000	-	11,805	11,805	8,195
Total Expenditures	<u>1,282,000</u>	<u>1,282,000</u>	<u>622,262</u>	<u>659,738</u>	<u>1,282,000</u>	<u>-</u>
Other financing sources:						
Proceeds from bonds	<u>436,000</u>	<u>436,000</u>	<u>436,000</u>	<u>-</u>	<u>436,000</u>	<u>\$ -</u>
Total other financing sources	<u>436,000</u>	<u>436,000</u>	<u>436,000</u>	<u>-</u>	<u>436,000</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,290)</u>	<u>1,290</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning				<u>-</u>		
Fund Balance, ending				<u>\$ 1,290</u>		

Other Schedules

This section contains additional information on property taxes.

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

Town of Bunn, North Carolina
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	\$ -	\$ 177,069	\$ 168,805	\$ 8,264
2019-2020	7,771	-	3,306	4,465
2018-2019	2,914	-	2,184	730
2017-2018	973	-	311	662
2016-2017	640	-	13	627
2015-2016	534	-	8	526
2014-2015	427	-	-	427
2013-2014	612	-	25	587
2012-2013	723	-	46	677
2011-2012	876	-	50	826
2010-2011	180	-	180	-
	<u>15,650</u>	<u>177,069</u>	<u>174,928</u>	<u>17,791</u>
Less: Allowance for uncollectible accounts:				
General Fund	<u>1,260</u>			<u>(1,919)</u>
Ad Valorem Taxes Receivable - Net	<u><u>\$ 14,390</u></u>			<u><u>\$ 15,872</u></u>
Reconcilement with revenues:				
Taxes - Ad valorem - General Fund				\$ 173,566
Reconciling Items:				
Interest collected				(1,307)
Releases and adjustments				2,139
Discounts allowed				350
Taxes written off				180
Total Reconciling Items				<u>\$ 1,362</u>
Total Collections and Credits				<u><u>\$ 174,928</u></u>

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

	Town - Wide		Total Levy	
	Property Valuation	Rate	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:				
Property Taxed at Current Rate:				
Real and personal property	\$ 24,809,711	0.66	\$ 158,782	\$ -
Registered motor vehicles taxed at prior years rate	2,770,758	0.66	-	18,287
Total Property Valuation	<u>\$ 27,580,469</u>			
Abatements	73,664		-	-
Net Levy	<u>\$ 27,506,804</u>		\$ 158,782	\$ 18,287
Uncollected Taxes at June 30, 2021			8,264	264
Current Year's Taxes Collected			<u>\$ 150,782</u>	<u>\$ 18,023</u>
Current Levy Collection Percentage			<u>94.96%</u>	<u>98.56%</u>

COMPLIANCE SECTION



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bunn, 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 Bunn's basic financial statements, and have issued our report thereon dated August 1, 2022. Our report includes a reference to other auditors who audited the financial statements of the Town of Bunn ABC Board, as described in our report on the Town of Bunn's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Bunn ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, finding 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bunn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2020-001.

Town of Bunn's Responses to findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

August 1, 2022

Town of Bunn
Schedule of Findings and Responses
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-001

Criteria:

Expenditures in Excess of Appropriations

North Carolina General Statutes require all moneys expended by a local government to be included in the budget.

Condition:

The Town's General Fund expenditures exceeded authorized appropriations made by the governing board for, Sanitation by \$13,521, and Water Treatment and Distribution by \$99,219.

Effect:

The Town did not comply with North Carolina General Statutes.

Cause:

The Town did not properly budget for expenses.

Recommendation:

We recommend that the Town review budget to actual reports regularly and implement procedures to comply with the pre-authorization requirements of North Carolina General Statutes to ensure expenditures are not incurred prior to authorization.

Views of responsible
officials and
planned corrective actions:

The Town of Bunn's Board of Commissioners will review budget to actual statements monthly and when an expenditure is within 5% of the authorized budget, the Board will require budget amendments to be approved before any additional expenditures may be made. Additional meetings of the Town Board of Commissioners will be held to sure the preauthorization process occurs. The Town Board will also perform a second review of budget to actual statements at their regular meetings and will verify actual amounts do not exceeded budgeted amounts.

**Town of Bunn
Corrective Action Plan
For the Year Ended June 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-001

Contact Person: Pamela Perry, Town Clerk

Corrective Action: The Town of Bunn's Board of Commissioners will review budget to actual statements monthly and when an expenditure is within 5% of the authorized budget, the Board will require budget amendments to be approved before any additional expenditures may be made. Additional meetings of the Town Board of Commissioners will be held to sure the preauthorization process occurs. The Town Board will also perform a second review of budget to actual statements at their regular meetings and will verify actual amounts do not exceed budgeted amounts.

Completion Date: June 30, 2021

Town of Bunn
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2021

There were no prior year audit findings.

Town of Bunn
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	Expenditures
FEDERAL AWARDS		
US Department of Agriculture		
Rural Development, Rural Utilities Service (RUS)		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 659,738
		<u>659,738</u>
US Treasury		
Passed through the Office of State Budget and Management		
NC Pandemic Recovery Office		
Passed through Franklin County		
Coronavirus Relief Fund	21.019	<u>28,698</u>
TOTAL FEDERAL AWARDS		<u>688,436</u>
STATE AWARDS		
NC Department of Transportation		
Direct Program		
Powell Bill		<u>46,455</u>
TOTAL STATE AWARDS		<u>46,455</u>
TOTAL FEDERAL AND STATE ASSISTANCE		<u><u>\$ 734,891</u></u>

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town for the year ended June 30, 2021. Because the Schedule presents only a selected portion of the operations of Town of Bunn, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Bunn.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Costs

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.