

REVIEWED

By SLGFD at 8:11 am, Oct 05, 2021

**Town of Coats
Coats, North Carolina**

Audited Financial Statements

Year Ended June 30, 2021

Town of Coats, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2021

BOARD OF COMMISSIONERS

Chris Coats, Mayor

Jerry Beasley, Mayor Pro-Tem

Kelvin Gilbert

Marc Powell

Allen Mosby

J.D. Raynor

Administrative and Financial Staff

Nick Holcomb, Town Manager

Karen Wooten, Finance Officer

Town of Coats, North Carolina
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June 30, 2021

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Coats, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Coats, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Coats, 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 ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

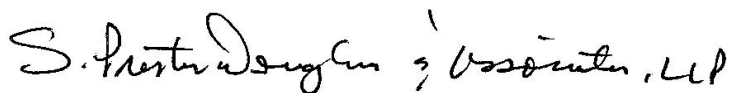
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 42 and 43, 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 44 and 45 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Handwritten signature of S. Preston Douglas, Jr. in black ink.

Lumberton, North Carolina
September 17, 2021

Management's Discussion and Analysis

Town of Coats, North Carolina
Management's Discussion and Analysis
June 30, 2021

Management's Discussion and Analysis

As management of the Town of Coats, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Coats for the fiscal year ending 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.

The MD&A is an opportunity for management to proactively address any issues that might be affecting the unit's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented.

Financial Highlights

The assets and deferred outflows of the Town of Coats exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,545,415 (net position).

As of the close of the current fiscal year, the Town's governmental funds reported combined ending net position of \$2,553,307. Approximately 52% of this total amount, or \$1,334,042 is unrestricted.

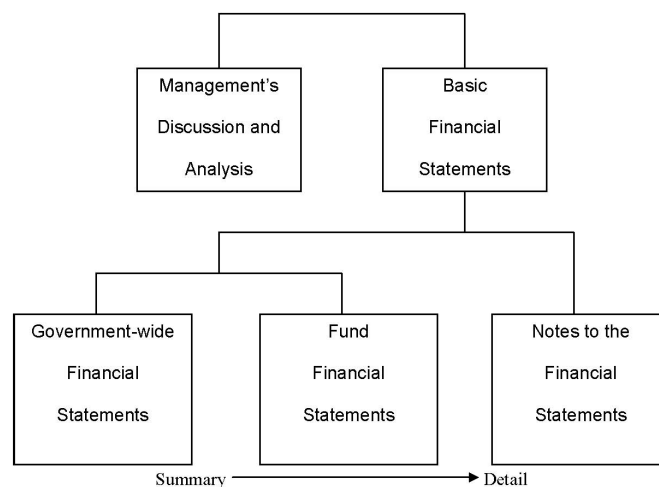
At the end of the current fiscal year, the Town's change in net position was a positive \$297,332 of which a positive \$244,119 was from governmental activities and a positive \$53,213 was from business-type activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Coats' basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Coats.

Required Components of Annual Financial Report

Figure 1



Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Statements

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

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

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar to the 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. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water services offered by the Town of Coats.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

Governmental Funds. Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 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 Coats 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.

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental Funds (continued). 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.

Proprietary Funds. The Town of Coats maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, which is considered a major fund of the Town.

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 can be found on pages 19-41 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

Supplementary Information. The combining statements, referred to earlier about nonmajor governmental funds and details of the enterprise fund, can be found on pages 46-55 of this report.

Government-Wide Financial Analysis

The Town of Coats' Net Position
Figure 2

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Current and other assets	\$ 1,839,887	\$ 1,663,239	\$ 934,817	\$ 852,273	\$ 2,774,704	\$ 2,515,512
Capital assets	1,009,304	1,068,269	208,013	233,818	1,217,317	1,302,087
Total assets	2,849,191	2,731,508	1,142,830	1,086,091	3,992,021	3,817,599
Deferred Outflows of Resources	219,610	135,397	34,629	31,463	254,239	166,860
Current liabilities	42,356	50,525	117,112	123,451	159,468	173,976
Long-term liabilities	449,237	485,246	64,135	52,389	513,372	537,635
Total liabilities	491,593	535,771	181,247	175,840	672,840	711,611
Deferred Inflows of Resources	23,901	21,846	4,104	2,819	28,005	24,665
Net position						
Net investment in capital assets	883,741	883,741	208,013	233,818	1,091,754	1,117,559
Restricted	335,524	324,954	-	-	335,524	324,954
Unrestricted	1,334,042	1,100,493	784,095	705,077	2,118,137	1,805,570
Total net position	\$ 2,553,307	\$ 2,309,188	\$ 992,108	\$ 938,895	\$ 3,545,415	\$ 3,248,083

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,545,415 at the close of the current fiscal year. By far the largest portion of the Town's net position, 60%, reflects its unrestricted net position.

The restricted portion of net position, 9%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of net position is net investment in capital assets at \$1,091,754 or 31% of the total which is (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ad valorem taxes were the largest revenue contributor for the governmental funds with 40% of total governmental fund revenues.

Town of Coats' Changes in Net Position
Figure 3

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Revenues:						
Program revenues						
Charges for services	\$ 252,558	\$ 239,764	\$ 470,381	\$ 432,520	\$ 722,939	\$ 672,284
Operating grants and contributions	65,540	69,108	-	-	65,540	69,108
General revenues						
Property taxes	681,059	634,110	-	-	681,059	634,110
Other taxes	494,179	447,977	-	-	494,179	447,977
Other	220,187	118,834	966	5,887	221,153	124,721
Total revenues	1,713,523	1,509,793	471,347	438,407	2,184,870	1,948,200
Expenses:						
General government	492,391	485,841	-	-	492,391	485,841
Public safety	446,544	450,540	-	-	446,544	450,540
Transportation	167,568	147,834	-	-	167,568	147,834
Environmental protection	213,529	192,071	-	-	213,529	192,071
Cemetery	1,557	1,173	-	-	1,557	1,173
Cultural and recreation	147,758	131,059	-	-	147,758	131,059
Interest on long-term debt	3,133	6,271	-	-	3,133	6,271
Water	-	-	415,058	414,810	415,058	414,810
Total expenses	1,472,480	1,414,789	415,058	414,810	1,887,538	1,829,599
Increase in net position before transfers	241,043	95,004	56,289	23,597	297,332	118,601
Transfers	3,076	3,076	(3,076)	(3,076)	-	-
Increase in net position	244,119	98,080	53,213	20,521	297,332	118,601
Net position - July 1	2,309,188	2,211,108	938,895	918,374	3,248,083	3,129,482
Net position - June 30	\$ 2,553,307	\$ 2,309,188	\$ 992,108	\$ 938,895	\$ 3,545,415	\$ 3,248,083

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-wide Financial Analysis (continued)

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, environmental protection, and economic and physical development.

Business-type activities. Business-type activities increased the town's net position by \$53,213 compared to an increase in net position of \$20,521 from the previous fiscal year. Key elements of this increase compared to last year are as follows:

- Increase in revenues in the amount of \$32,940.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Coats. At the end of the fiscal year, unassigned fund balance for the general fund was \$1,475,711 with a total fund balance of \$1,749,130. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96% of total General Fund expenditures.

Proprietary Funds. The Town of Coats' proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$784,095. Other factors concerning this fund have been discussed in the Town's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration

The Town of Coats's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$1,217,317 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Coats' Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Land & construction in progress	\$ 89,818	\$ 89,818	\$ 18,344	\$ 18,344	\$ 108,162	\$ 108,162
Buildings & infrastructure	675,854	709,675	174,914	191,126	850,768	900,801
Other improvements	81,279	76,975	-	-	81,279	76,975
Equipment	162,353	191,801	14,755	24,348	177,108	216,149
Total capital assets, net	<u>\$ 1,009,304</u>	<u>\$ 1,068,269</u>	<u>\$ 208,013</u>	<u>\$ 233,818</u>	<u>\$ 1,217,317</u>	<u>\$ 1,302,087</u>

Additional information on the Town's capital assets can be found in the notes on page 28 of this report.

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

Additional information pertaining to the Town of Coats' long-term debt can be found in the notes on page 40 of this report.

Economic Factors and Next Year's Budgets and Rates

Coats continues to experience an increase in real estate demand due to national, regional (RTP), and local (Campbell University) development pressures. There is strong demand for available housing which is driving a strong increase in real property values. Anticipated major subdivisions are expected over the next year if demand for housing remains high. Harnett County's new property evaluation is expected to show large increases that will positively impact the Town's budget for fiscal year 2022-2023.

Also, small businesses within the downtown core are opening and beginning plans for expansion. The Town looks to continue to build on successes with a "Downtown Master Plan" funded entirely by a USDA Rural Development grant.

An anticipated influx of federal money as part of the coronavirus relief act will be dedicated to upgrading water meters and other waterline and stormwater upgrades. This planned capital investment will eliminate the need for debt service in the Water fund, greatly reduce labor hours required for meter reading, and decrease water leaks on customer accounts.

Request for Information

This financial report is designed to provide a general overview of the Town of Coats' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 25 E. Main Street, Coats NC 27521.

Basic Financial Statements

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,557,322	\$ 816,670	\$ 2,373,992
Taxes receivables, net	9,146	-	9,146
Accounts receivables, net	15,195	35,014	50,209
Due from other governments	68,916	-	68,916
Inventories	-	21,082	21,082
Restricted cash and cash equivalents	189,308	62,051	251,359
Total current assets	1,839,887	934,817	2,774,704
Non-current assets:			
Capital assets (Note 3):			
Land and non-depreciable improvements	89,818	18,344	108,162
Other capital assets, net of depreciation	919,486	189,669	1,109,155
Total capital assets	1,009,304	208,013	1,217,317
Total assets	2,849,191	1,142,830	3,992,021
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	219,610	34,629	254,239
Total deferred outflows of resources	219,610	34,629	254,239
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	19,506	48,786	68,292
Customer deposits	-	62,051	62,051
Current portion of long-term liabilities	22,850	6,275	29,125
Total current liabilities	42,356	117,112	159,468
Long-term liabilities:			
Net pension liability	267,194	64,063	331,257
Total pension liability	174,527	-	174,527
Due in more than one year	7,516	72	7,588
Total liabilities	491,593	181,247	672,840
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	23,901	4,104	28,005
Total deferred inflows of resources	23,901	4,104	28,005
NET POSITION			
Net investment in capital assets	883,741	208,013	1,091,754
Restricted for:			
Stabilization by State Statute	84,111	-	84,111
Transportation - Powell Bill	189,308	-	189,308
Perpetual care	62,105	-	62,105
Unrestricted	1,334,042	784,095	2,118,137
Total net position	\$ 2,553,307	\$ 992,108	\$ 3,545,415

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

Town of Coats, 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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 492,391	\$ -	\$ -	\$ -	\$ (492,391)	\$ -	\$ (492,391)
Public safety	446,544	-	-	-	(446,544)	-	(446,544)
Transportation	167,568	-	65,540	-	(102,028)	-	(102,028)
Environmental protection	213,529	233,858	-	-	20,329	-	20,329
Cemetery	1,557	1,000	-	-	(557)	-	(557)
Cultural and recreation	147,758	17,700	-	-	(130,058)	-	(130,058)
Interest on long-term debt	3,133	-	-	-	(3,133)	-	(3,133)
Total governmental activities	1,472,480	252,558	65,540	-	(1,154,382)	-	(1,154,382)
Business-type activities:							
Water	415,058	470,381	-	-	-	55,323	55,323
Total business-type activities	415,058	470,381	-	-	-	55,323	55,323
Total primary government	\$ 1,887,538	\$ 722,939	\$ 65,540	\$ -	(1,154,382)	55,323	(1,099,059)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					681,059	-	681,059
Other taxes					494,179	-	494,179
Investment earnings, unrestricted					2,740	966	3,706
Miscellaneous, unrestricted					217,447	-	217,447
Total general revenues not including transfers					1,395,425	966	1,396,391
Transfers					3,076	(3,076)	-
Total general revenues and transfers					1,398,501	(2,110)	1,396,391
Change in net position					244,119	53,213	297,332
Net position, beginning					2,309,188	938,895	3,248,083
Net position, ending					\$ 2,553,307	\$ 992,108	\$ 3,545,415

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

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

	<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,495,041	\$ 62,281	\$ 1,557,322
Restricted cash and cash equivalents	189,308	-	189,308
Receivables, net:			
Taxes	9,146	-	9,146
Accounts	15,195	-	15,195
Due from other governments	68,916	-	68,916
Total assets	<u><u>\$ 1,777,606</u></u>	<u><u>\$ 62,281</u></u>	<u><u>\$ 1,839,887</u></u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 19,330	\$ 176	\$ 19,506
Total liabilities	<u>19,330</u>	<u>176</u>	<u>19,506</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	9,146	-	9,146
Total deferred inflows of resources	<u>9,146</u>	<u>-</u>	<u>9,146</u>
<u>FUND BALANCES</u>			
Non Spendable:			
Perpetual care	-	62,105	62,105
Restricted			
Stabilization by State Statute	84,111	-	84,111
Transportation - Powell Bill	189,308	-	189,308
Unassigned	1,475,711	-	1,475,711
Total fund balances	<u>1,749,130</u>	<u>62,105</u>	<u>1,811,235</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,777,606</u></u>	<u><u>\$ 62,281</u></u>	<u><u>\$ 1,839,887</u></u>

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

Town of Coats, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

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

Total Fund Balance, Governmental Funds	\$	1,811,235
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	3,089,180
Accumulated depreciation	<u>(2,079,876)</u>	1,009,304
Deferred outflows of resources related to pensions are not reported in the funds.		219,610
Earned revenues considered deferred inflows of resources in fund statements.		9,146
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(30,366)
Total pension liability		(174,527)
Net pension liability		(267,194)
Deferred inflows of resources related to pension are not reported in the funds.		<u>(23,901)</u>
Net position of governmental activities	<u>\$</u>	<u>2,553,307</u>

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

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

	<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 680,285	\$ -	\$ 680,285
Unrestricted intergovernmental	494,179	-	494,179
Restricted intergovernmental	65,540	-	65,540
Permits and fees	233,308	550	233,858
Sales and services	17,700	1,000	18,700
Investment earnings	2,552	188	2,740
Miscellaneous	217,447	-	217,447
Total revenues	<u>1,711,011</u>	<u>1,738</u>	<u>1,712,749</u>
Expenditures:			
Current:			
General government	425,428	12,308	437,736
Public safety	385,625	-	385,625
Transportation	146,926	-	146,926
Environmental protection	210,952	-	210,952
Cultural and recreational	115,183	-	115,183
Cemetery	-	1,557	1,557
Debt service:			
Principal retirement	184,528	-	184,528
Interest	9,197	-	9,197
Capital outlay	53,358	-	53,358
Total expenditures	<u>1,531,197</u>	<u>13,865</u>	<u>1,545,062</u>
Excess (deficiency) of revenues over expenditures	<u>179,814</u>	<u>(12,127)</u>	<u>167,687</u>
Other financing sources (uses)			
Transfers from (to) other funds	7,729	(4,653)	3,076
Total other financing sources (uses)	<u>7,729</u>	<u>(4,653)</u>	<u>3,076</u>
Net change in fund balances	187,543	(16,780)	170,763
Fund balances, beginning	<u>1,561,587</u>	<u>78,885</u>	<u>1,640,472</u>
Fund balances, ending	<u><u>\$ 1,749,130</u></u>	<u><u>\$ 62,105</u></u>	<u><u>\$ 1,811,235</u></u>

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

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

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

Net changes in fund balances - total governmental funds	\$	170,763
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	53,358	
Depreciation expense for governmental assets	(112,323)	(58,965)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	47,430
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	774
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	184,528	
Decrease in accrued interest expense	6,064	190,592

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	3,484	
LEO revenue (expense)	(20,780)	
Pension revenue (expense)	(89,179)	(106,475)

Total changes in net position of governmental activities	\$	244,119
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Town of Coats, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 616,300	\$ 616,300	\$ 680,285	\$ 63,985
Unrestricted intergovernmental	410,507	447,051	494,179	47,128
Restricted intergovernmental	69,100	69,100	65,540	(3,560)
Permits and fees	226,335	227,642	233,308	5,666
Sales and services	11,400	11,400	17,700	6,300
Investment earnings	15,100	1,100	2,552	1,452
Miscellaneous	86,152	116,152	217,447	101,295
Total revenues	<u>1,434,894</u>	<u>1,488,745</u>	<u>1,711,011</u>	<u>216,600</u>
Expenditures:				
Current:				
General government	414,151	452,324	434,051	18,273
Public safety	484,661	487,260	427,255	60,005
Transportation	185,933	186,638	146,926	39,712
Environmental protection	215,310	216,617	210,952	5,665
Cultural and recreational	119,696	130,763	118,288	12,475
Debt service:				
Principal retirement	15,018	193,725	184,528	9,197
Interest	-	-	9,197	(9,197)
Total expenditures	<u>1,434,769</u>	<u>1,667,327</u>	<u>1,531,197</u>	<u>136,130</u>
Revenues over (under) expenditures	<u>125</u>	<u>(178,582)</u>	<u>179,814</u>	<u>358,396</u>
Other financing sources (uses):				
Transfers to other funds	(125)	(125)	7,729	7,854
Total other financing sources (uses)	<u>(125)</u>	<u>(125)</u>	<u>7,729</u>	<u>7,854</u>
Fund balance appropriated	<u>-</u>	<u>178,707</u>	<u>-</u>	<u>(178,707)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>187,543</u>	<u>\$ 187,543</u>
Fund balance, beginning			<u>1,561,587</u>	
Fund balance, ending			<u>\$ 1,749,130</u>	

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

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

<u>ASSETS</u>	<u>Water Fund</u>
Current assets:	
Cash and cash equivalents	\$ 816,670
Restricted cash and cash equivalents	62,051
Accounts receivable, net	35,014
Inventories	21,082
Total current assets	934,817
Noncurrent assets:	
Capital assets:	
Land and construction in progress	18,344
Other capital assets, net of depreciation	189,669
Total noncurrent assets	208,013
Total assets	1,142,830
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	34,629
Total deferred outflows of resources	34,629
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	48,786
Customer deposits	62,051
Compensated absences	6,347
Total current liabilities	117,184
Noncurrent liabilities:	
Net pension liability	64,063
Total noncurrent liabilities	64,063
Total liabilities	181,247
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	4,104
<u>NET POSITION</u>	
Net investment in capital assets	208,013
Unrestricted	784,095
Total net position	\$ 992,108

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

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

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 413,575
Water taps	16,100
Other operating revenues	<u>40,706</u>
Total operating revenues	<u>470,381</u>
Operating expenses:	
Water:	
Water purchases	146,160
Salaries and employee benefits	140,527
Supplies	17,098
Repairs and maintenance	57,187
Utilities	8,485
Insurance	6,498
Other operating expenditures	13,298
Depreciation	<u>25,805</u>
Total operating expenses	<u>415,058</u>
Operating income (loss)	<u>55,323</u>
Nonoperating revenues:	
Investment earnings	<u>966</u>
Total nonoperating revenues	<u>966</u>
Income (loss) before transfers	56,289
Transfers to General Fund	<u>(3,076)</u>
Change in net position	53,213
Total net position, beginning	<u>938,895</u>
Total net position, ending	<u><u>\$ 992,108</u></u>

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

Town of Coats, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 464,402
Cash paid for goods and services	(262,225)
Cash paid to employees	(122,638)
Increase (decrease) in meter deposits	190
Net cash provided (used) by operating activities	<u>79,729</u>
Cash flows from non-capital financing activities	
Transfers to other funds	<u>(3,076)</u>
Net cash provided (used) by non-capital financing activities	<u>(3,076)</u>
Cash flows from investing activities	
Interest on investments	<u>966</u>
Net cash provided (used) by investing activities	<u>966</u>
Net increase (decrease) in cash	77,619
Cash and cash equivalents - beginning of year	<u>801,102</u>
Cash and cash equivalents - end of year	<u><u>\$ 878,721</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 55,323</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	25,805
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,979)
(Increase) decrease in inventory	1,054
Increase (decrease) in accounts payable and accrued liabilities	(5,609)
Increase (decrease) in meter deposits	190
(Increase) decrease in deferred outflows of resources for pensions	(3,166)
Increase (decrease) in deferred inflows of resources for pensions	1,285
Increase (decrease) in net pension liability	11,674
Increase (decrease) in compensated absences	(849)
Total adjustments	<u>24,406</u>
Net cash provided (used) by operating activities	<u><u>\$ 79,729</u></u>

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

Notes to the Financial Statements

Town of Coats, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Coats, North Carolina (the Town) 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 Coats is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B - Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and 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 – government and proprietary – are presented. The town has no fiduciary funds to report. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation (continued)

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. Primary expenditures are for public safety, street maintenance and construction, sanitation services, and parks and recreation.

The Town reports the following nonmajor governmental funds:

Downtown Project Fund - This fund is used to account for improvements to the downtown area of the Town.

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

The Town reports the following major enterprise fund:

Water Fund - This fund is used to account for the Town's water 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 the 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 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 Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property 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 shared revenue for the Town of Coats because the tax is levied by Harnett and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred revenue.

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the 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 to the original budget 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 an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Permanent Fund is not required to have a budget.

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

1. Deposits and Investments

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

1. Deposits and Investments (continued)

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

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town of Coats has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Coats Restricted Cash

Governmental Activities

General Fund

Streets

\$ 189,308

Total Governmental Activities

189,308

Business-type Activities

Water and Sewer Fund

Customer deposits

62,051

Total Business-type Activities

62,051

Total Restricted Cash

\$ 251,359

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

5. Allowance for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when sold or consumed.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems \$5,000; infrastructure, \$20,000; furniture and equipment, \$2,500; and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40
Improvements	20
Motor vehicles	5
Computer equipment	5
Furniture and office equipment	10

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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 policies of the Town provide for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. For the Town's proprietary fund, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

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

11. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; 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.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

Restricted for Stabilization by State Statute (continued)

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

The Town of Coats has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Board of Commissioners has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Coats has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A - Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

B - Deficit in Fund Balance or Net Position of Individual Funds

None

C - Excess of Expenditures over Appropriations

None

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town'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 these deposits are considered to be held by the Town'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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,625,126 and a bank balance of \$2,539,741. Of the bank balance, \$500,000 was covered by federal depository insurance. At June 30, 2021, the Town's cash on hand totaled \$225.

2. Receivables - Allowance for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$ 5,000
Accounts receivable	16,845
Total General Fund	<u>21,845</u>
Enterprise Fund:	
Water - Accounts receivable	<u>22,848</u>
Total Enterprise Fund	<u>22,848</u>
Total	<u>\$ 44,693</u>

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 89,818	\$ -	\$ -	\$ 89,818
Total capital assets not being depreciated	89,818	-	-	89,818
Capital assets being depreciated:				
Buildings	884,365	-	-	884,365
Other improvements	719,702	8,623	-	728,325
Equipment, furniture, and vehicles	1,341,937	44,735	28,635	1,415,307
Total capital assets being depreciated:	2,946,004	53,358	28,635	3,027,997
Less accumulated depreciation for:				
Buildings	174,690	33,821	-	208,511
Other improvements	642,727	4,319	-	647,046
Equipment, furniture, and vehicles	1,150,136	74,183	28,635	1,252,954
Total accumulated depreciation	1,967,553	112,323	28,635	2,108,511
Total capital assets being depreciated, net	978,451			919,486
Governmental activities capital assets, net	<u>\$ 1,068,269</u>			<u>\$ 1,009,304</u>

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

General government	\$ 22,463
Public safety	38,189
Transportation	19,096
Culture and recreation	32,575
Total depreciation expense	<u>\$ 112,323</u>

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Water fund:				
Capital assets not being depreciated:				
Land	\$ 18,344	\$ -	\$ -	\$ 18,344
Total capital assets not being depreciated	18,344	-	-	18,344
Capital assets being depreciated:				
Plant and distribution systems	867,037	-	-	867,037
Equipment, furniture, and vehicles	187,652	-	-	187,652
Total capital assets being depreciated:	1,054,689	-	-	1,054,689
Less accumulated depreciation for:				
Plant and distribution systems	675,911	16,212	-	692,123
Equipment, furniture, and vehicles	163,304	9,593	-	172,897
Total accumulated depreciation	839,215	25,805	-	865,020
Total capital assets being depreciated, net	215,474			189,669
Water fund capital assets, net	<u>\$ 233,818</u>			<u>\$ 208,013</u>

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Coats is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Coats 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 Coats' contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Coats were \$58,556 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.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

a. Local Governmental Employees' Retirement System (continued)

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 \$331,257 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00927%, which was a increase of 0.0061% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$110,099. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,832	\$ -
Changes of assumptions	24,652	-
Net difference between projected and actual earnings on pension plan investments	46,616	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,258	15,301
Town contributions subsequent to the measurement date	58,556	-
Total	<u>\$ 177,914</u>	<u>\$ 15,301</u>

\$58,556 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 28,942
2023	38,187
2024	23,130
2025	13,796
2026	-
Thereafter	-

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00 percent. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 672,084	\$ 331,257	\$ 48,005

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
Total	<u><u>6</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 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 \$174,527. 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 \$20,780.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,533	\$ 10,216
Changes of assumptions and other inputs	<u>55,792</u>	<u>2,488</u>
Total	<u><u>\$ 76,325</u></u>	<u><u>\$ 12,704</u></u>

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 10,262
2023	10,262
2024	10,458
2025	11,426
2026	12,048
Thereafter	9,165

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

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:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$192,700	\$174,527	\$158,159
	2021		
Beginning balance	\$ 79,508		
Service Cost	7,926		
Interest on the total pension liability	2,592		
Differences between expected and actual experience in the measurement of the total pension liability	24,116		
Changes of assumptions or other inputs	60,385		
Ending balance of the total pension liability	<u>\$ 174,527</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.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$110,099	\$ 20,780	\$130,879
Pension Liability	331,257	174,527	505,784
Proportionate share of the net pension liability	0.00927%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	41,832	20,533	62,365
Changes of assumptions	24,652	55,792	80,444
Net difference between projected and actual earnings on plan investments	46,616	-	46,616
Changes in proportion and differences between contributions and proportionate share of contributions	6,258	-	6,258
Benefit payments and administrative costs paid subsequent to the measurement date	58,556	-	58,556
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	10,216	10,216
Changes of assumptions	-	2,488	2,488
Changes in proportion and differences between contributions and proportionate share of contributions	15,301	-	15,301

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

1. Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$34,725, which consisted of \$12,025 from the Town and \$3,940 from the law enforcement officers. General employees of the Town are also permitted to make voluntary contributions to the Plan. Contribution made by general employees for the year ended June 30, 2021 was \$18,760.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 62,365
Changes of assumptions	80,444
Net difference between projected and actual earnings on pension plan investments	46,616
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,258
Town contributions subsequent to the measurement date	58,556
Total	<u>\$ 254,239</u>

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Deferred Outflows and Inflows of Resources (continued)

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 9,146
Changes in assumptions	2,488	
Differences between expected and actual experience	10,216	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,301	-
Total	<u>\$ 28,005</u>	<u>\$ 9,146</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$2 million lifetime coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$50,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of total insurance values.

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

Because the Town is in an area of the State that has been mapped and designated moderate to low flood zone by the Federal Emergency Management Agency, the Town has chosen not to obtain 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.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations

a. Notes Payable

Governmental Activities

On July 18, 2012, the Town obtained a USDA Rural Development loan in the amount of \$338,000 with an interest rate of 3.375 percent to purchase and renovate a building with a maturity date of July 18, 2034. The original maturity date was 2042. This loan was paid in full in this fiscal year.

b. Changes in Debt

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Notes payable	\$ 184,528	\$ -	\$ (184,528)	\$ -	\$ -
Compensated absences	33,850	19,366	(22,850)	30,366	22,850
Total pension liability (LEO)	79,508	95,019	-	174,527	-
Net pension liability (LGERS)	217,426	49,768	-	267,194	-
Governmental activity long-term liabilities	<u>\$ 515,312</u>	<u>\$ 164,153</u>	<u>\$ (207,378)</u>	<u>\$ 472,087</u>	<u>\$ 22,850</u>
Business-type activities:					
Compensated absences	\$ 7,196	\$ 5,426	\$ (6,275)	\$ 6,347	\$ 6,275
Net pension liability (LGERS)	52,389	11,674	-	64,063	-
Business-type activity long-term liabilities	<u>\$ 59,585</u>	<u>\$ 17,100</u>	<u>\$ (6,275)</u>	<u>\$ 70,410</u>	<u>\$ 6,275</u>

C - Interfund Balances and Activity

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

From the Sewer Fund to the General Fund for debt service payment	\$ 3,076
From the Downtown Capital Project Fund to the General Fund to close fund	4,653
Total	<u>\$ 7,729</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D - Fund Balance

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

Total Fund Balance - General Fund	\$ 1,749,130
Less:	
Stabilization by State Statute	84,111
Streets - Powell Bill	189,308
USDA	-
Remaining Fund Balance	\$ 1,475,711

NOTE 4 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 17, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Coats' proportion of the net pension liability (asset) (%)	0.00927%	0.00988%	0.00833%	0.00947%	0.00810%	0.00884%	0.00835%	0.00920%
Coats' proportion of the net pension liability (asset) (\$)	\$ 331,257	\$ 269,815	\$ 197,616	\$ 144,675	\$ 171,909	\$ 39,673	\$ (49,244)	\$ 110,895
Coats' covered-employee payroll	\$ 592,424	\$ 548,903	\$ 496,563	\$ 512,914	\$ 468,249	\$ 450,527	\$ 478,475	\$ 478,475
Coats' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.92%	49.16%	39.80%	29.14%	33.52%	8.47%	-10.93%	23.18%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 58,556	\$ 55,278	\$ 44,579	\$ 39,292	\$ 39,219	\$ 32,630	\$ 33,099	\$ 33,477
Contributions in relation to the contractually required contribution	58,556	55,278	44,579	39,292	39,219	32,630	33,099	33,477
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coats' covered-employee payroll	\$ 558,669	\$ 592,454	\$ 548,903	\$ 496,563	\$ 512,914	\$ 468,249	\$ 468,249	\$ 478,475
Contributions as a percentage of covered-employee payroll	10.48%	9.33%	8.12%	7.91%	7.65%	6.97%	7.07%	7.00%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 79,508	\$ 75,133	\$ 74,568	\$ 66,398	\$ 61,587
Service Cost	7,926	6,654	6,598	5,112	4,647
Interest on the total pension liability	2,592	2,735	2,356	2,563	2,199
Differences between expected and actual experience in the measurement of the total pension liability	24,116	(8,139)	(4,844)	(4,750)	-
Changes of assumptions or other inputs	60,385	3,125	(3,545)	5,245	(2,035)
Ending balance of the total pension liability	<u>\$ 174,527</u>	<u>\$ 79,508</u>	<u>\$ 75,133</u>	<u>\$ 74,568</u>	<u>\$ 66,398</u>

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 174,527	\$ 79,508	\$ 75,133	\$ 74,568	\$ 663,698
Covered payroll	248,376	269,734	234,277	237,167	231,605
Total pension liability as a percentage of covered payroll	70.27%	29.48%	32.07%	31.44%	28.67%

Notes to the schedules:

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

Individual Fund Statements and Schedules

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 678,048	\$
Interest		2,237	
Total	<u>616,300</u>	<u>680,285</u>	<u>63,985</u>
Unrestricted intergovernmental:			
Local option sales taxes		383,229	
Telecommunications tax		7,035	
Utility franchise tax		75,973	
Beer/wine excise tax		10,108	
Video programming		17,834	
Total	<u>447,051</u>	<u>494,179</u>	<u>47,128</u>
Restricted intergovernmental:			
Powell Bill allocation		65,540	
Total	<u>69,100</u>	<u>65,540</u>	<u>(3,560)</u>
Permits and fees:			
Solid waste disposal		219,995	
Zoning fees		4,045	
Police service fees		273	
Vehicle tag fees		8,995	
Total	<u>227,642</u>	<u>233,308</u>	<u>5,666</u>
Sales and services:			
Recreation department fees		16,600	
Chamber rental		1,100	
Total	<u>11,400</u>	<u>17,700</u>	<u>6,300</u>
Investment earnings	<u>1,100</u>	<u>2,552</u>	<u>1,452</u>
Miscellaneous:			
Miscellaneous		217,447	
Total	<u>116,152</u>	<u>217,447</u>	<u>101,295</u>
Total revenues	<u>\$ 1,488,745</u>	<u>\$ 1,711,011</u>	<u>\$ 222,266</u>

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 17,172	\$
Professional services		12,758	
Dues and subscriptions		3,975	
Other operating expenditures		7,727	
Total	<u>46,319</u>	<u>41,632</u>	<u>4,687</u>
Administration/Finance:			
Salaries and employee benefits		168,239	
Utilities		3,336	
Equipment rental and maintenance		34,146	
Insurance		18,118	
Other operating expenditures		51,938	
Capital outlay		8,623	
Total	<u>295,426</u>	<u>284,400</u>	<u>11,026</u>
Taxes:			
Collection fees		5,986	
Total	<u>6,500</u>	<u>5,986</u>	<u>514</u>
Planning/Zoning:			
Animal control		12,000	
Other operating expenditures		37,225	
Total	<u>51,240</u>	<u>49,225</u>	<u>2,015</u>
School resource officer:			
Salaries and employee benefits		51,771	
Other operating expenditures		1,037	
Total	<u>52,839</u>	<u>52,808</u>	<u>31</u>
Total general government	<u>\$ 452,324</u>	<u>\$ 434,051</u>	<u>\$ 18,273</u>

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits	\$	\$ 294,428	\$
Supplies		1,556	
Uniforms		1,412	
Vehicle maintenance		2,250	
Utilities		2,374	
Communication services		16,815	
Contracted services		9,566	
Insurance		48,820	
Other operating expenditures		8,404	
Capital outlay		41,630	
Total	<u>487,260</u>	<u>427,255</u>	<u>60,005</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		35,490	
Supplies		7,008	
Vehicle maintenance		10,631	
Street lights		37,655	
Repairs and maintenance		4,768	
Uniforms		881	
Insurance		9,978	
Powell Bill expenditures		36,951	
Other operating expenditures		3,564	
Total	<u>186,638</u>	<u>146,926</u>	<u>39,712</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		63,714	
Contracted services		147,238	
Total	<u>\$ 216,617</u>	<u>\$ 210,952</u>	<u>\$ 5,665</u>

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	\$	\$ 29,998	\$
Supplies		6,137	
Utilities		5,307	
Referees/Umpires		17,822	
Other operating expenditures		24,213	
Capital outlay		3,105	
Total	<u>89,441</u>	<u>86,582</u>	<u>2,859</u>
 Library:			
Salaries and employee benefits		21,065	
Supplies		2,079	
Utilities		3,506	
Insurance		591	
Repairs and maintenance		2,182	
Dues and subscriptions		93	
Other operating expenditures		2,190	
Total	<u>41,322</u>	<u>31,706</u>	<u>9,616</u>
 Debt service:			
Principal retirement		184,528	
Interest and other charges		9,197	
Total	<u>193,725</u>	<u>193,725</u>	<u>-</u>
 Total expenditures	<u>1,667,327</u>	<u>1,531,197</u>	<u>136,130</u>
 Revenues over (under) expenditures	<u>(178,582)</u>	<u>179,814</u>	<u>358,396</u>
 Other financing sources (uses):			
Transfers from (to) other funds:			
Cemetery Care Fund		3,076	
Downtown Project Fund		4,653	
Total	<u>(125)</u>	<u>7,729</u>	<u>7,854</u>
 Fund balance appropriated	178,707	-	(178,707)
 Net change in fund balance	<u>-</u>	187,543	<u>\$ 187,543</u>
 Fund balance, beginning		<u>1,561,587</u>	
 Fund balance, ending		<u><u>\$ 1,749,130</u></u>	

Nonmajor Governmental Funds

Town of Coats, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	<u>Downtown Capital Project Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ -	\$ 62,281	\$ 62,281
Total assets	<u>\$ -</u>	<u>\$ 62,281</u>	<u>\$ 62,281</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ -	\$ 176	\$ 176
 <u>Fund balances:</u>			
Nonspendable			
Perpetual care	-	62,105	62,105
Restricted			
Economic development	-	-	-
Total fund balances	<u>-</u>	<u>62,105</u>	<u>62,105</u>
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ 62,281</u>	 <u>\$ 62,281</u>

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

	Downtown Capital Project Fund	Cemetery Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Operating revenues	\$ -	\$ 1,550	\$ 1,550
Investment income	-	188	188
Total revenues	<u>-</u>	<u>1,738</u>	<u>1,738</u>
<u>Expenditures:</u>			
Operating expenditures	<u>12,308</u>	<u>1,557</u>	<u>13,865</u>
Revenues over (under) expenditures	(12,308)	181	(12,127)
<u>Other Financing Sources (Uses):</u>			
Transfers in (out)	<u>(4,653)</u>	<u>-</u>	<u>(4,653)</u>
Net change in fund balances	(16,961)	181	(16,780)
Fund balance, beginning	16,961	61,924	78,885
Fund balance, ending	<u>\$ -</u>	<u>\$ 62,105</u>	<u>\$ 62,105</u>

Town of Coats, North Carolina
Downtown Improvement Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Planning and design	2,000	-	703	703	1,297
Gateway signage	4,000	-	-	-	4,000
Parking area improvements	34,000	23,039	11,605	34,644	(644)
Total expenditures	40,000	23,039	12,308	35,347	4,653
Revenue over (under) expenditures	(40,000)	(23,039)	(12,308)	(35,347)	4,653
Other financing sources:					
Transfers from other funds:					
General Fund	40,000	40,000	(4,653)	35,347	(4,653)
Total other sources (uses)	40,000	40,000	(4,653)	35,347	(4,653)
Revenues and financing other sources (uses) over (under) expenditures	\$ -	\$ 16,961	(16,961)	\$ -	\$ -
Fund balance, beginning			16,961		
Fund balance, ending			\$ -		

Town of Coats, North Carolina
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Cemetery plot sales	\$	\$ 1,000	\$
Other operating revenues		550	
Total operating revenues	<u>1,400</u>	<u>1,550</u>	<u>150</u>
Investment earnings	<u>425</u>	<u>188</u>	<u>(237)</u>
Total revenues	<u>1,825</u>	<u>1,738</u>	<u>(87)</u>
<u>Expenditures:</u>			
Caregiver		720	
Maintenance		455	
Electricity		382	
Total expenditures	<u>1,950</u>	<u>1,557</u>	<u>393</u>
Revenues over (under) expenditures	<u>(125)</u>	<u>181</u>	<u>306</u>
Other financing sources (uses)			
Transfers from other funds:			
General Fund		-	
Total	<u>125</u>	<u>-</u>	<u>(125)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>181</u>	<u>\$ 181</u>
Fund balance, beginning		<u>61,924</u>	
Fund balance, ending		<u>\$ 62,105</u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Charges for services:			
Water sales	\$	\$ 413,575	\$
Water taps		16,100	
Other operating revenues		40,706	
Total	<u>432,054</u>	<u>470,381</u>	<u>38,327</u>
Non-operating revenues:			
Interest earned		966	
Total	<u>2,000</u>	<u>966</u>	<u>(1,034)</u>
Total revenues	<u>434,054</u>	<u>471,347</u>	<u>37,293</u>
<u>Expenditures:</u>			
Water:			
Water purchases		146,160	
Salaries and employee benefits		131,583	
Supplies		17,098	
Repairs and maintenance		57,187	
Utilities		8,485	
Insurance		6,498	
Other operating expenditures		13,298	
Total expenditures	<u>430,978</u>	<u>380,309</u>	<u>50,669</u>
Revenues over (under) expenditures	<u>\$ 3,076</u>	<u>\$ 91,038</u>	<u>\$ 87,962</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer to other funds:			
General Fund	\$	\$ (3,076)	\$
Total other financing sources (uses)	<u>(3,076)</u>	<u>(3,076)</u>	<u>-</u>
 Appropriated fund balance	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Revenues over expenditures and other financing (uses)	 <u>\$ -</u>	 <u>\$ 87,962</u>	 <u>\$ 87,962</u>

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

Revenues over (under) expenditures and other financing (uses)	<u>\$ 87,962</u>
 Reconciling items:	
Compensated absences	849
Pension expense	(20,919)
Retirement contributions	11,126
Depreciation	<u>(25,805)</u>
Total reconciling items	<u>(34,749)</u>
 Change in net position	 <u>\$ 53,213</u>

Other Schedules

This section contains additional information on property taxes.

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

Town of Coats, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
	\$ -	\$ 683,677	\$ 679,071	\$ 4,606
2020-2021	4,495	-	2,829	1,666
2019-2020	1,741	-	327	1,414
2018-2019	1,052	-	-	1,052
2017-2018	1,290	-	-	1,290
2016-2017	1,095	-	-	1,095
2015-2016	761	-	-	761
2014-2015	757	-	-	757
2013-2014	801	-	14	787
2012-2013	730	-	12	718
	<u>\$ 12,722</u>	<u>\$ 683,677</u>	<u>\$ 682,253</u>	<u>\$ 14,146</u>

Less: allowance for uncollectible accounts - General Fund	<u>5,000</u>
Ad valorem taxes receivable - net	<u><u>\$ 9,146</u></u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 680,285
Interest and Penalties collected	(2,237)
Reconciling items:	
Taxes written off	(4,140)
Total collections and credits	<u><u>\$ 673,908</u></u>

**Town of Coats, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 115,877,458	0.59	\$ 683,677	\$ 594,270	\$ 89,407
Net levy			683,677	594,270	89,407
Uncollected taxes at June 30, 2021			<u>(4,606)</u>	<u>(4,606)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 679,071</u>	<u>\$ 589,664</u>	<u>\$ 89,407</u>
Current levy collection percentage			<u>99.33%</u>	<u>99.22%</u>	<u>100.00%</u>