

REVIEWED

By SLGFD at 8:56 am, Dec 03, 2021

**TOWN OF DREXEL
DREXEL, NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

Boggs, Crump & Brown, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Morganton, North Carolina

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Drexel, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Drexel, 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 the Management' Discussion and Analysis, on Pages 4 through 12, the Local Government Employees' Retirement Systems schedules of the proportionate share of the net pension asset and contributions on Pages 49 and 50, 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 51 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 Drexel, North Carolina. The introductory information, 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.

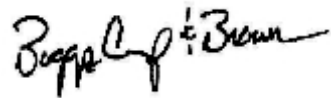
The combining and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the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

Town of Drexel
Drexel, North Carolina

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In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

A handwritten signature in black ink, appearing to read "Boggs, Crump & Brown". The signature is stylized and cursive.

Boggs, Crump & Brown, P.A.
Certified Public Accountants

August 2, 2021
Morganton, North Carolina

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the Town of Drexel *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,935,159.
- The government's total net position increased by \$756,033, due to *increases* in the governmental activities and the business type activities net position.
- As of the close of the current fiscal year, the Town of Drexel's governmental funds reported combined ending fund balances of \$2,000,980, an *increase* of \$223,068 in comparison with the prior year. Approximately 91% of this total amount, or \$1,824,413 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,824,413 or 161% of total general fund expenditures for the fiscal year.
- The Town of Drexel's total debt *decreased* by \$52,069 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

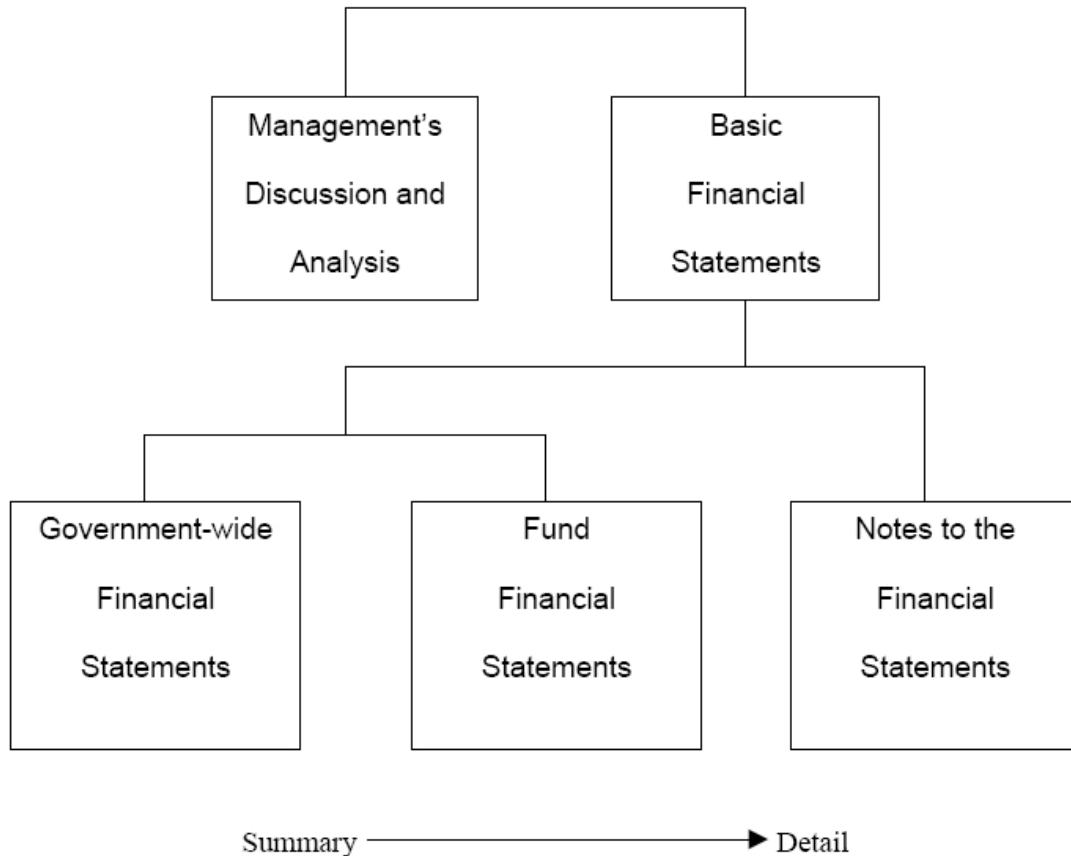


Figure 1

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Drexel.

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

Fund Financial Statements

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

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

The Town of Drexel adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Drexel has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Drexel uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on Pages 23 - 49 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 of Drexel's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Page 49 of this report.

Government-Wide Financial Analysis

**The Town of Drexel's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current assets	\$2,027,860	\$1,803,147	\$4,760,158	\$4,235,556	\$6,788,018	\$6,038,703
Other assets						
Capital assets	1,525,576	1,434,018	789,820	857,374	2,315,396	2,291,392
Deferred outflows of resources	<u>183,240</u>	<u>137,216</u>	<u>89,060</u>	<u>74,414</u>	<u>272,300</u>	<u>214,022</u>
Total assets and deferred outflows of resources	<u>3,736,676</u>	<u>3,374,381</u>	<u>5,639,038</u>	<u>5,167,344</u>	<u>9,375,714</u>	<u>8,544,117</u>
Long-term debt outstanding	45,680	74,240	329,760	390,849	375,440	465,089
Other liabilities	429,294	327,660	497,720	424,706	927,014	752,366
Deferred inflows of resources	<u>129,231</u>	<u>134,824</u>	<u>8,870</u>	<u>10,320</u>	<u>138,101</u>	<u>145,144</u>
Total liabilities and deferred inflows of resources	<u>604,205</u>	<u>536,724</u>	<u>836,350</u>	<u>825,875</u>	<u>1,440,555</u>	<u>1,362,599</u>
Net position:						
Net Investment in capital assets	1,496,305	1,376,232	460,059	504,059	1,956,364	1,880,291
Restricted	167,567	126,679			167,567	126,679
Unrestricted	<u>1,468,599</u>	<u>1,334,746</u>	<u>4,342,629</u>	<u>3,837,410</u>	<u>5,811,228</u>	<u>5,172,156</u>
Total net position	<u><u>\$3,132,471</u></u>	<u><u>\$2,837,657</u></u>	<u><u>\$4,802,688</u></u>	<u><u>\$4,341,469</u></u>	<u><u>\$7,935,159</u></u>	<u><u>\$7,179,126</u></u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Drexel exceeded liabilities and deferred inflows by \$7,935,159 as of June 30, 2021. The Town's net position *increased* by \$756,033 for the fiscal year ended June 30, 2021. A large portion (25%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Drexel uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Drexel's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Drexel's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,811,228 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.5%, which is above the statewide average.
- Diligence in keeping expenditures as low as possible.

Town of Drexel Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues:						
Program revenues:						
Charges for services	\$ 80,691	\$ 79,988	\$3,131,474	\$3,097,650	\$3,212,165	\$3,177,638
Other operating funds	77,757	83,695			77,757	83,695
General revenues:						
Property taxes	403,443	385,373			403,443	385,373
Other taxes	717,210	627,434			717,210	627,434
Other Revenue	77,567	96,592	5,000	6,700	82,567	103,292
Total revenues	<u>1,356,668</u>	<u>1,273,082</u>	<u>3,136,474</u>	<u>3,104,350</u>	<u>4,493,142</u>	<u>4,377,432</u>
Expenses:						
General government	81,196	149,885			81,196	149,885
Public safety	589,921	561,752			589,921	561,752
Streets	264,288	436,761			264,288	436,761
Sanitation	84,392	81,966			84,392	81,966
Culture and recreation	40,526	82,947			40,526	82,947
Interest on long-term debt	1,531	2,267			1,531	2,267
Electric			1,986,186	2,054,488	1,986,186	2,054,488
Water and sewer			689,069	700,043	689,069	700,043
Total expenses	<u>1,061,854</u>	<u>1,315,578</u>	<u>2,675,255</u>	<u>2,754,531</u>	<u>3,737,109</u>	<u>4,070,109</u>
Increase (decrease) in net position before transfers	294,814	(42,496)	461,219	349,819	756,033	307,323
Transfers						
Increase (Decrease) in Net position	294,814	(42,496)	461,219	349,819	756,033	307,323
Net position, beginning	<u>2,837,657</u>	<u>2,880,153</u>	<u>4,341,469</u>	<u>3,991,650</u>	<u>7,179,126</u>	<u>6,871,803</u>
Net position, June 30	<u>\$3,132,471</u>	<u>\$2,837,657</u>	<u>\$4,802,688</u>	<u>\$4,341,469</u>	<u>\$7,935,159</u>	<u>\$7,179,126</u>

Governmental activities. Governmental activities increased the Town's net position by \$294,814. Key elements of this decrease as compared to prior years are as follows:

- Continued activities at R.O. Huffman Center
- Increased sales tax distribution
- Tax collection remained steady
- Solid waste fees offset operational expenditures

Business-type activities: Business-type activities increased the Town of Drexel's net position by \$461,219. Key elements of this increase are as follows:

- Investment earnings remain low due to interest rates

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Drexel's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Drexel's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Drexel. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,824,414 while total fund balance reached \$2,000,981. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 161% of total General Fund expenditures.

At June 30, 2021, the governmental funds of Town of Drexel reported a combined fund balance of \$2,000,981, a 13% increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the Town had three budget amendments. Generally, budget amendments fall into these categories: 1) increases in appropriations that become necessary to maintain services; 2) amendments to transfer expenditures between departments, and 3) amendments to record government revenues which were not budgeted.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Funds at the end of the fiscal year amounted to \$552,792, and those for the Electric Fund amounted to \$3,789,836. The Water and Sewer Fund net position decreased by \$39,447 while the Electric Fund increased by \$500,666. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Drexel's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,315,396 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

- There were three major capital asset transactions during the year.

Town of Drexel's Capital Assets
Figure 4

	<u>Governmental Activities</u> <u>2021</u>	<u>Business-type Activities</u> <u>2021</u>	<u>Total Primary Government</u> <u>2021</u>
Land	\$1,120,025	\$ -	\$1,120,025
Building and systems	137,158	113,036	250,194
Vehicles and equipment	258,134	160,019	418,153
Infrastructure	<u>10,259</u>	<u>516,765</u>	<u>527,024</u>
Total	<u>\$1,525,576</u>	<u>\$ 789,820</u>	<u>\$2,315,396</u>

Additional information on the Town's capital assets can be found in notes 4 and 5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Drexel had total bonded debt outstanding of \$- 0 - .

Town of Drexel's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Installment debt	\$28,515	\$57,786	\$329,761	\$353,315	\$358,276	\$411,101
General obligation bonds	_____	_____	_____	_____	_____	_____
Total	<u>\$28,515</u>	<u>\$57,786</u>	<u>\$329,761</u>	<u>\$353,315</u>	<u>\$358,276</u>	<u>\$411,101</u>

The Town of Drexel's total debt decreased by \$52,825 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Drexel is \$7,094,108.

Additional information regarding the Town of Drexel's long-term debt can be found in Note 3 beginning on Page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators, both positive and negative, will play part in the future of the Town:

- COVID 19 and all the uncertainties the pandemic brings
- Increased cost of providing services
- Continued progress on the cleanup of Drexel Properties
- Healthy fund balances for investment earning potential
- Collaboration with Burke County and other municipalities in growing the county through economic growth
- Decrease interest earnings due to current low interest rates

Governmental Activities: Increase in net position

- Tax collection remained steady at 98%
- Solid waste fees offset operational expenditures
- Sales tax distribution remained solid despite the pandemic

Business-type Activities: Overall increase in net position

- Grant monies budgeted were not expended due to continued efforts to acquire additional funds for cleanup of Drexel Properties

Budget Highlights for the Fiscal Year Ending June 30, 2021

Budgeted expenditures in the General Fund are expected to decrease by 9.5% under this year's amended budget to \$1,255,300.

Business-type Activities: Electric and water and sewer rates will remain the same for the 2021-2022 fiscal year. The Town of Drexel purchases water from the City of Morganton and purchases sewer treatment from the Town of Valdese. As their costs increase the higher cost is passed to the Town of Drexel. Drexel is a member of the North Carolina Municipal Power Agency.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Sherri Bradshaw, Town Manager, at (828) 437-7421.

TOWN OF DREXEL, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021

	PRIMARY GOVERNMENT		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,860,293	\$ 4,380,551	\$ 6,240,844
Taxes receivable (net)	10,958	-	10,958
Accounts receivable (net)	113,957	238,855	352,812
Inventories	-	140,752	140,752
Restricted cash and cash equivalents	42,652	-	42,652
Net pension asset	-	-	-
Total current assets	2,027,860	4,760,158	6,788,018
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	1,120,025	-	1,120,025
Other capital assets, net of depreciation	405,551	789,820	1,195,371
Total capital assets	1,525,576	789,820	2,315,396
Total assets	3,553,436	5,549,978	9,103,414
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	183,240	89,060	272,300
Total current outflows of resources	183,240	89,060	272,300
LIABILITIES			
Current liabilities:			
Accounts payable	15,921	158,641	174,562
Customer deposits	-	97,365	97,365
Long-term liabilities:			
Due within one year	34,271	29,555	63,826
Net pension liability	247,291	-	247,291
Total Pension Liability	166,082	204,482	370,564
Due in more than one year	11,409	337,437	348,846
Total liabilities	474,974	827,480	1,302,454
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	129,231	8,870	138,101
Total current inflows of resources	129,231	8,870	138,101
NET POSITION			
Net investment in capital assets	1,496,305	460,059	1,956,364
Restricted for:	-	-	-
Stabilization by State Statute	124,915	-	124,915
Public Safety	-	-	-
Transportation	42,652	-	42,652
Unrestricted	1,468,599	4,342,629	5,811,228
Total net position	\$ 3,132,471	\$ 4,802,688	\$ 7,935,159

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

**TOWN OF DREXEL, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ (66,950)	\$ 1,375	\$ 5,000	\$ -	\$ (60,575)	\$ -	\$ (60,575)
Public safety	(589,921)	252	21,279	-	(568,390)	-	(568,390)
Transportation	(264,288)	-	51,478	-	(212,810)	-	(212,810)
Special appropriations	(14,246)	-	-	-	(14,246)	-	(14,246)
Environmental protection	(84,392)	79,064	-	-	(5,328)	-	(5,328)
Cultural and recreation	(40,526)	-	-	-	(40,526)	-	(40,526)
Interest on long term debt	(1,531)	-	-	-	(1,531)	-	(1,531)
Total governmental activities	(1,061,854)	80,691	77,757	-	(903,406)	-	(903,406)
Business-type activities:							
Water and sewer	(689,069)	649,622	-	-	-	(39,447)	(39,447)
Electric	(1,986,186)	2,481,852	-	-	-	495,666	495,666
Total business-type activities	(2,675,255)	3,131,474	-	-	-	456,219	456,219
Total primary government	<u>\$ (3,737,109)</u>	<u>\$ 3,212,165</u>	<u>\$ 77,757</u>	<u>\$ -</u>	<u>(903,406)</u>	<u>456,219</u>	<u>(447,187)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					403,443	-	403,443
Other taxes					-	-	-
Unrestricted Intergovernmental revenues					717,210	-	717,210
Grants and contributions not restricted to specific programs					-	5,000	5,000
Unrestricted investment earnings					3,029	-	3,029
Miscellaneous					74,538	-	74,538
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>1,198,220</u>	<u>5,000</u>	<u>1,203,220</u>
Change in net position					294,814	461,219	756,033
Net Position- Beginning Previously Reported					<u>2,837,657</u>	<u>4,341,469</u>	<u>7,179,126</u>
Net position - ending					<u>\$ 3,132,471</u>	<u>\$ 4,802,688</u>	<u>\$ 7,935,159</u>

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

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

	Major Funds General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,860,293	\$ 1,860,293
Restricted cash	42,652	42,652
Receivables, net		
Taxes	10,958	10,958
Accounts	113,957	113,957
Total assets	<u>2,027,860</u>	<u>2,027,860</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	<u>15,922</u>	<u>15,922</u>
Total liabilities	<u>15,922</u>	<u>15,922</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	<u>10,958</u>	<u>10,958</u>
Total deferred inflows of resources	<u>10,958</u>	<u>10,958</u>
FUND BALANCES		
Restricted:		
Stabilization by State Statute	124,915	124,915
Streets	42,652	42,652
Assigned:		
Subsequent years expenditures	9,000	9,000
Unassigned	<u>1,824,413</u>	<u>1,824,413</u>
Total fund balances	<u>2,000,980</u>	<u>2,000,980</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,027,860</u></u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,525,576
Earned revenues considered deferred inflows of Resources in fund statements	10,958
Net pension liability	(247,291)
Total Pension Liability	(166,082)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	-
Pension related deferrals	54,009
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	<u>(45,679)</u>
Net position of governmental activities	<u><u>\$ 3,132,471</u></u>

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

TOWN OF DREXEL, 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>General</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES		
Ad valorem taxes	\$ 403,443	\$ 403,443
Unrestricted intergovernmental	717,210	717,210
Restricted intergovernmental	77,757	77,757
Permits and fees	80,439	80,439
Sales and services	252	252
Investment earnings	3,029	3,029
Miscellaneous	74,336	74,336
	<hr/>	<hr/>
Total revenues	1,356,466	1,356,466
	<hr/>	<hr/>
EXPENDITURES		
Current:		
General government	129,209	129,209
Public safety	583,127	583,127
Transportation	244,940	244,940
Environmental protection	84,392	84,392
Culture and recreation	47,438	47,438
Special appropriations	14,246	14,246
Debt Service:		
Principal retirement	28,515	28,515
Interest	1,531	1,531
	<hr/>	<hr/>
Total expenditures	1,133,398	1,133,398
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	223,068	223,068
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds		
Transfers to other funds		
Proceeds from capital lease	-	-
	<hr/>	<hr/>
Total other financing sources (uses)	-	-
	<hr/>	<hr/>
Net changes in fund balance	223,068	223,068
Fund balances - beginning	1,777,912	1,777,912
	<hr/>	<hr/>
Fund Balances - Ending	\$ 2,000,980	\$ 2,000,980
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

Net changes in fund balances - total governmental funds	\$	223,068
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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 exceeded depreciation outlay in the current period		91,558
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		81,429
--	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		10,958
--	--	--------

Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities.		14,701
---	--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		29,271
--	--	--------

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.		(156,171)
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Total changes in net position of governmental activities	\$	<u>294,814</u>
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The notes to the financial statements are an integral part of this statement.

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

	General Fund			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 396,350	\$ 405,790	\$ 403,443	\$ (2,347)
Unrestricted intergovernmental	548,000	690,000	717,210	27,210
Restricted intergovernmental	77,000	77,000	77,757	757
Permits and fees	80,750	81,375	80,439	(936)
Sales and services	250	250	252	2
Investment earnings	25,500	25,500	3,029	(22,471)
Miscellaneous	49,100	110,800	74,336	(36,464)
Total Revenues	1,176,950	1,390,715	1,356,466	(34,249)
Expenditures:				
Current:				
General government	128,027	150,627	129,209	21,418
Public safety	607,219	612,919	583,127	29,792
Transportation	273,406	312,430	244,940	67,490
Environmental protection	90,050	90,050	84,392	5,658
Cultural and recreation	179,469	180,732	47,438	133,294
Special Appropriations	14,400	14,400	14,246	154
Debt Service:				
Principal retirement	27,779	28,519	28,515	4
Interest	2,268	1,538	1,531	7
Total expenditures	1,322,618	1,391,215	1,133,398	257,817
Revenues over (under) expenditures	(145,668)	(500)	223,068	223,568
Other financing sources (uses):				
Transfers from other funds				
Transfers to other funds				
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund Balance Appropriated	145,668	500	-	(500)
Net Change In Fund Balance	\$ -	\$ -	223,068	\$ 223,068
Fund balances, beginning of year			1,777,912	
Fund balances, end of year			\$ 2,000,980	

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

**TOWN OF DREXEL, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	Enterprise Fund		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,845,559	\$ 534,992	\$ 4,380,551
Accounts receivable (net) - billed	181,205	57,650	238,855
Inventories	88,600	52,152	140,752
Total current assets	4,115,364	644,794	4,760,158
Capital assets:			
Other capital assets, net of depreciation	235,139	554,681	789,820
Capital assets, net	235,139	554,681	789,820
Total assets	<u>\$ 4,350,503</u>	<u>\$ 1,199,475</u>	<u>\$ 5,549,978</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	58,119	30,941	89,060
Total deferred outflows of resources	58,119	30,941	89,060
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	154,691	3,950	158,641
Customer deposits	70,350	27,015	97,365
Compensated absences	4,000	2,000	6,000
Installment purchase obligations payable - current	-	23,555	23,555
Total current liabilities	229,041	56,520	285,561
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Other noncurrent liabilities:			
Compensated absences	19,814	11,418	31,232
Net pension liability	128,942	75,540	204,482
Installment purchase obligation payable - noncurrent (net)	-	306,205	306,205
Total noncurrent liabilities	148,756	393,163	541,919
Total liabilities	<u>377,797</u>	<u>449,683</u>	<u>827,480</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	5,850	3,020	8,870
NET POSITION			
Net investment in capital assets	235,139	224,921	460,060
Unrestricted	3,789,836	552,792	4,342,628
Total net position	<u>\$ 4,024,975</u>	<u>\$ 777,713</u>	<u>4,802,688</u>
Net position of business-type activities			<u>\$ 4,802,688</u>

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

TOWN OF DREXEL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

		Enterprise Fund	
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,229,358	\$ 634,340	\$ 2,863,698
Other operating revenues	252,494	15,282	267,776
Total operating revenues	2,481,852	649,622	3,131,474
OPERATING EXPENSES			
Administration	392,194	24,000	416,194
Electric operations	284,413	-	284,413
Electric power purchases	1,277,330	-	1,277,330
Water treatment and distribution	-	117,292	117,292
Waste collection and treatment	-	262,647	262,647
Water and sewer maintenance	-	241,222	241,222
Depreciation	32,249	43,908	76,157
Total operating expenses	1,986,186	689,069	2,675,255
Operating income (loss)	495,666	(39,447)	456,219
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	-	-
Grants	5,000	-	5,000
Interest and other charges	-	-	-
Insurance Refund	-	-	-
Total nonoperating revenue (expenses)	5,000	-	5,000
Income (loss) before contributions and transfers	500,666	(39,447)	461,219
Transfers from other funds			
Change in net position	500,666	(39,447)	461,219
Total net position, beginning	3,524,309	817,160	4,341,469
Total net position - ending	\$ 4,024,975	\$ 777,713	4,802,688
Change in Net position - business-type activities			\$ 461,219

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

**TOWN OF DREXEL, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Business-Type Activities		
	Enterprise Fund		Totals
	Electric Fund	Water and Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,506,944	\$ 654,813	\$ 3,161,757
Cash paid for goods and services	1,971,560	631,589	2,603,149
Net cash provided (used) by operating activities	535,384	23,224	558,608
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long term borrowings	-	-	-
Acquisition of capital assets	-	(8,601)	(8,601)
Insurance refund	-	-	-
Grant Revenue	5,000	-	5,000
Principal paid on bond maturities and equipment contracts	-	(23,555)	(23,555)
Interest paid on bond maturities and equipment contracts	-	-	-
Net cash provided (used) by capital and related financing activities	5,000	(32,156)	(27,156)
Net increase (decrease) in cash and cash equivalents	540,384	(8,932)	531,452
Balances - beginning of year	3,305,175	543,924	3,849,099
Balances - end of year	\$ 3,845,559	\$ 534,992	\$ 4,380,551
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	495,666	(39,447)	456,219
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	32,249	43,908	76,157
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	25,092	5,191	30,283
(Increase) decrease in inventory	(27,785)	4,352	(23,433)
(Increase) decrease in deferred outflows of resources- pension	(7,323)	(7,323)	(14,646)
Increase (decrease) in net pension liability	17,609	17,609	35,218
increase (decrease) in deferred inflows - pensions	(725)	(725)	(1,450)
Increase (decrease) in accounts payable and accrued liabilities	1,951	(266)	1,685
Increase (decrease) in customer deposits	(1,350)	(75)	(1,425)
Total adjustments	39,718	62,671	102,389
Net cash provided (used) by operating activities	\$ 535,384	\$ 23,224	\$ 558,608

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

**TOWN OF DREXEL
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

I. Summary of Significant Accounting Policies:

The accounting policies of the Town of Drexel 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 Drexel is a municipal corporation which is governed by an elected mayor and a four member Council.

B. Basis of Presentation:

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

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

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

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

I. Summary of Significant Accounting Policies - (Continued):

B. Basis of Presentation - (Continued):

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric fund operations.

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

C. Measurement Focus and Basis of Accounting:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services.

I. Summary of Significant Accounting Policies - (Continued):

C. Measurement Focus and Basis of Accounting - (Continued):

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 nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, 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 including the Town of Drexel. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

I. Summary of Significant Accounting Policies - (Continued):

C. Measurement Focus and Basis of Accounting - (Continued):

It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data:

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise 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 departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized by the budget ordinance to transfer appropriations within a department and also to transfer up to 10% of expenditures between departments. However, any revisions that alter total expenditures of any department by more than 10% must be approved by the governing board. During the year two 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.

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

1. Deposits and Investments

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

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

I. Summary of Significant Accounting Policies - (Continued):

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

1. Deposits and Investments -(Continued)

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which 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

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

I. Summary of Significant Accounting Policies - (Continued):

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

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 funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$2,500; Buildings, improvements, substations, lines, and other plant and distribution systems, \$2,000; infrastructure, \$5,000; furniture and equipment, \$1,000; and vehicles, \$2,500. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3
Substations lines and related equipment	40
Other improvements	25

I. 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 meets this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 items that meet the criterion for this category deferrals of pension expense that result from the implementation of GASB Statement 68 and GASB Statement 73.

9. Long-Term Obligations:

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

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

10. Compensated Absences:

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

I. Summary of Significant Accounting Policies - (Continued):

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

10. Compensated Absences - (Continued):

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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 net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for 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.

I. Summary of Significant Accounting Policies - (Continued):

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

11. Net Position/Fund Balances - (Continued):

Fund Balances - (Continued):

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

Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance - portion of fund balance that Town of Drexel 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.

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

The Town of Drexel 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 Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Shared 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

I. Summary of Significant Accounting Policies - (Continued):

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

12. Pensions - (Continued):

are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Drexel's employer contributions are recognized when due and the Town of Drexel has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$5,906,165 and a bank balance of \$6,001,103. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021 the Town's petty cash fund totaled \$1,000.

2. Investments:

At June 30, 2021, the Town of Drexel had \$176,331 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's as of June 30, 2021.

II. Detail Notes on All Funds - (Continued):

A. Assets - (Continued):

3. Receivables:

Receivables at the government-wide level at June 30, 2021, were as follows:

	<u>Accounts</u>	<u>Taxes Receivable</u>	<u>Grant Receivable</u>	<u>Total</u>
Government Activities:				
General	\$ 4,530	\$120,385	\$	\$124,915
Total receivables	<u>4,530</u>	<u>120,385</u>		<u>124,915</u>
Allowance for doubtful accounts		<u>10,958</u>		<u>10,958</u>
Total-governmental activities	<u>4,530</u>	<u>109,427</u>		<u>113,957</u>
Business-type Activities				
Electric	181,205			181,205
Water and Sewer	<u>57,650</u>			<u>57,650</u>
Total receivables	<u>238,855</u>			<u>238,855</u>
Allowance for doubtful accounts				
Total-business-type activities	<u>\$ 238,855</u>		<u>\$</u>	<u>\$238,855</u>

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

Local Option Sales Tax	\$ 92,463
Sales Tax Refund	16,964
Alcohol Beverage Tax	
Total	<u>\$ 109,427</u>

4. Capital Assets:

Capital asset activity for the primary government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$1,120,025	\$	\$	\$1,120,025
Total capital assets not being depreciated	<u>1,120,025</u>			<u>1,120,025</u>
Capital assets being depreciated:				
Buildings	564,603			564,603
Vehicles and motorized equipment	1,510,579	150,441		1,661,020
Infrastructure	<u>487,471</u>			<u>487,471</u>
Total capital assets being depreciated	<u>2,562,653</u>	<u>150,441</u>		<u>2,713,094</u>
Less accumulated depreciation for:				
Buildings	411,513	15,932		427,445
Vehicles and motorized equipment	1,362,325	40,561		1,402,886
Infrastructure	<u>474,822</u>	<u>2,390</u>		<u>477,212</u>
Total accumulated depreciation	<u>2,248,660</u>	<u>58,883</u>		<u>2,307,543</u>
Total capital assets being Depreciated, net	<u>\$ 313,993</u>	<u>\$ 91,558</u>	<u>\$</u>	<u>\$ 405,551</u>

II. Detail Notes on All Funds - (Continued):

A. Assets - (Continued):

4. Capital Assets - (Continued):

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

General government	\$18,380
Public safety	26,042
Transportation	<u>14,461</u>
Total depreciation expense	<u>\$ 58,883</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$	\$	\$	\$
Capital assets being depreciated:				
Buildings	211,866			211,866
Substations, lines, and related equipment	810,071			810,071
Furniture and maintenance equipment	10,129			10,129
Vehicles	<u>478,756</u>			<u>478,756</u>
Total capital assets being depreciated	<u>1,510,822</u>			<u>1,510,822</u>
Less accumulated depreciation for:				
Buildings	88,237	10,593		98,830
Substations, lines, and related equipment	803,774	1,335		805,109
Furniture and maintenance equipment	7,705	485		8,190
Vehicles	<u>343,718</u>	<u>19,836</u>		<u>363,554</u>
Total accumulated depreciation	<u>1,243,434</u>	<u>\$ 32,249</u>	<u>\$</u>	<u>1,275,683</u>
Total capital assets being depreciated, net	<u>267,388</u>			<u>235,139</u>
Electric fund capital assets, net	<u>\$ 267,388</u>			<u>\$ 235,139</u>
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$	\$	\$	\$
Construction in progress				
Total capital assets not being depreciated				
Capital assets being depreciated:				
Plant and distribution systems	4,722,628	8,603		4,731,231
Furniture and maintenance equipment	159,830			159,830
Vehicles	<u>65,590</u>			<u>65,590</u>
Total capital assets being depreciated	<u>\$4,948,048</u>	<u>\$ 8,603</u>	<u>\$</u>	<u>\$4,956,651</u>

II. Detail Notes on All Funds - (Continued):

A. Assets - (Continued):

4. Capital Assets - (Continued):

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$4,185,908	\$ 33,520	\$	\$4,219,428
Furniture and maintenance equipment	129,281	8,038		137,319
Vehicles	<u>42,873</u>	<u>2,350</u>		<u>45,223</u>
Total accumulated depreciation	<u>4,358,062</u>	<u>\$ 43,908</u>	<u>\$</u>	<u>4,401,970</u>
Total capital assets being depreciated, net	<u>589,986</u>			<u>554,681</u>
Water and Sewer fund capital assets, net	<u>589,986</u>			<u>554,681</u>
Business-type activities capital assets, net	<u>\$ 857,374</u>			<u>\$ 789,820</u>

B. Liabilities:

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System:

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

a. Local Governmental Employees' Retirement System - (Continued):

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Drexel 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 Drexel's contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation of law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Drexel were \$81,429 for the year ended June 30, 2021.

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

a. Local Governmental Employees' Retirement System - (Continued):

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

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

At June 30, 2021, the Town reported a liability of \$370,564 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 updated 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 .01037%, which was a decrease of .00062% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$119,671. At June 30, 2021 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,796	\$
Changes of assumptions	27,577	-
Net difference between projected and actual earnings on pension plan investments	52,147	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	327	
Town contributions subsequent to the measurement date	<u>81,429</u>	<u>17,764</u>
Total	<u>\$ 208,276</u>	<u>\$ 17,764</u>

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

a. Local Governmental Employees' Retirement System - (Continued):

\$81,429 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	29,307
2022	40,784
2023	23,559
2024	15,433
Thereafter	-

\$109,083

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%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, 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.

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

a. Local Governmental Employees' Retirement System - (Continued):

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 weighing 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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

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

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

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

a. Local Governmental Employees' Retirement System - (Continued):

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%, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$751,834	\$370,564	\$ 53,702

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

b. Law Enforcement Officers Special Separation Allowance:

1. ***Plan Description:***

The Town of Drexel 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 .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Inactive members receiving benefits	1
Terminated plan members entitled to but not receiving benefits	0
Active plan members	<u>5</u>
Total	<u>6</u>

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

b. Law Enforcement Officers Special Separation Allowance - (Continued):

2. Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB 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	2.5%
Salary increases	3.25 to 7.75%, including inflation and productivity factor
Discount rate	1.93%

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

DEATHS AFTER RETIREMENT (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

DEATHS AFTER RETIREMENT (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

DEATHS AFTER RETIREMENT (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

DEATHS PRIOR TO RETIREMENT: Mortality rates are based on the Safety Mortality Table for Employees.

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan 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 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 \$14,701 as benefits came due for the reporting period.

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

On June 30, 2021, the Town reported a total pension liability of \$247,291. 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 \$24,427.

	<u>Deferred Outflows Of</u>	<u>Deferred Inflows Of</u>
Differences between expected and actual experiences	\$ 50,149	\$ 53,762
Changes of assumptions	58,763	4,352
County benefit payments and plan administrative expense made subsequent to the measurement date		
Total	<u>\$108,912</u>	<u>\$ 58,114</u>

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

Year ended June 30:	
2022	18,929
2023	18,469
2024	17,996
2025	2,720
2026	- 0 -
Thereafter	- 0 -

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

b. Law Enforcement Officers Special Separation Allowance - (Continued):

Sensitivity of the Town's 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%, 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 (.93%) or 1-percentage point higher (2.93%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
.93%	1.93%	2.93%
\$268,031	\$247,291	\$228,145

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

Beginning Balance	\$183,896
Service Cost	7,442
Interest on the Total Pension Liability	5,755
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	2,771
Changes of Assumptions or Other Inputs	62,128
Benefit Payments	(14,701)
Other Changes	-
Ending Balance of the Total Pension Liability	<u>\$247,291</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. populations. 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 five-year period ended December 31, 2019.

c. Supplemental Retirement Income Plan for Law Enforcement Officers:

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

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

1. Pension Plan Obligations - (Continued):

c. Supplemental Retirement Income Plan for Law Enforcement Officers - (Continued):

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$11,742 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits:

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

2. Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels.

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

2. Risk Management - (Continued):

Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town carries flood insurance through the National Flood Issuance Plan (NFIP). Because the Town is an area of the State that has been mapped and designated an "X" area (an area of 0.2% annual chance of flood) the Town is not required to purchase coverage through the NFIP. Through the IRFFNC the Town is eligible and has purchased commercial flood insurance for \$5,000,000 per occurrence.

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

3. Long-Term Obligations:

a. Installment Purchases:

In May 2017 the Town entered into an installment purchase obligation to finance a Public Works Grapple Truck. The financing contract requires principal payments beginning in May 2019 with an interest rate of 2.09%.

Annual debt service payments of these installment purchases as of June 30, 2021 including \$776 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	<u>29,271</u>	<u>776</u>
Total	<u>\$29,271</u>	<u>\$ 776</u>

II. Detail Notes on All Funds - (Continued):

B. Liabilities - (Continued):

3. Long-Term Obligations - (Continued):

b. NC Clean Water State Revolving Loan

In July 2014, the Town entered into an agreement with the State of North Carolina department of Environmental and Natural Resources to finance the Town's wastewater pump station and additional improvements. The financing contract requires principal payments beginning in fiscal year 2016 with no interest.

Annual debt service payment of this contract as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
2022	23,554	23,554
2023	23,554	23,554
2024	23,554	23,554
2025-2029	117,772	117,772
2030-2034	117,772	117,772
2035	<u>23,555</u>	<u>23,555</u>
Total	<u>\$ 329,761</u>	<u>\$ 329,761</u>

At June 30, 2021 the Town had no bonds authorized but unissued and a legal debt margin of \$7,094,108.

c. Changes in Long-Term Liabilities:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Current Portion Of Balance</u>
Governmental Activities:					
Installment purchase obligations	\$ 57,786	\$	\$ 28,515	\$ 29,271	\$ 29,271
Compensated absences	16,454	26,235	26,250	16,409	5,000
Net pension liability (LGERS)	130,864	35,218		166,082	-
Total Pension Liability (LEO)	<u>183,896</u>	<u>63,395</u>		<u>247,291</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$389,000</u>	<u>\$124,848</u>	<u>\$ 54,765</u>	<u>\$ 459,053</u>	<u>\$ 34,271</u>
Business-type activities:					
NC DENR revolving loan	\$353,315	\$	\$ 23,554	\$ 329,761	\$ 23,554
Net pension liability (LGERS)	169,264	35,218		204,482	
Compensated absences	<u>37,534</u>	<u>28,268</u>	<u>28,571</u>	<u>37,231</u>	<u>6,000</u>
Business-type activity long-term liabilities	<u>\$560,113</u>	<u>\$ 63,486</u>	<u>\$ 52,125</u>	<u>\$ 571,474</u>	<u>\$ 29,554</u>

Compensated absences typically have been liquidated in the general fund.

II. Detail Notes on All Funds - (Continued):

C. On-Behalf Payments for Fringe Benefits and Salaries:

For the fiscal year ended June 30, 2021, the Town of Drexel has recognized no payments for pension contributions made by the state as a revenue and an expenditure of \$-0- for the 25 volunteer firemen who perform firefighting duties for the town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the Town has recognized as a revenue and an expenditure on - behalf of payments for fringe benefits and salaries of \$-0- for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2021. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their dependents.

D. Fund Balance:

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

<i>Total fund balance - General Fund</i>	\$2,000,981
Less:	
Stabilization by State Statute	124,915
Streets - Powell Bill	42,652
Appropriated Fund Balance in 2021 budget	9,000
Working Capital/Fund Balance Policy	
Remaining Fund Balance	\$1,824,414

III. Segment Information for Enterprise Funds:

The accompanying financial statements include two enterprise funds which provide electric, and water and sewer services. Segment information for the fiscal year ended June 30, 2021, is as follows:

	Electric Fund	Water Sewer Fund	Total Funds
Operating Revenues	\$2,481,852	\$ 649,622	\$3,131,474
Depreciation Expense	32,249	43,908	76,157
Operating Income (Loss)	495,666	(39,447)	456,219
Net Income (Loss)	500,666	(39,447)	461,219
Plant, Property and Equipment:			
Additions		8,601	8,601
Net Working Capital CA-CL	4,347,542	588,274	4,935,816
Total Assets	\$4,350,503	\$1,199,475	\$5,549,978
Bonds and Other Long-Term Liabilities:			
Payable from Operating Revenues	-	329,760	329,760
Total Equity	\$4,024,975	\$ 777,713	\$4,802,688

IV. Jointly Governed Organization:

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Town Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchase of power for the fiscal year ended June 30, 2021 were \$1,277,330.

V. Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs:

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

VI. Significant Effects of Subsequent Events:

The Town has evaluated subsequent events through August 2, 2021, the date which the financial statements were available to be issued.

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Drexel's proportion of the net pension liability (asset) (%)	0.01030%	0.01099%	0.01233%	0.01336%	0.01294%	0.01404%	0.01394%	0.01220%
Drexel's proportion of the net pension liability (asset) (\$)	\$ 370,564	\$ 300,128	\$ 292,510	\$ 204,104	\$ 274,630	\$ 63,011	\$ (82,211)	\$ 147,057
Drexel's covered-employee payroll	783,565	766,151	726,694	750,701	801,562	729,377	749,484	736,701
Drexel's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.29%	39.17%	40.25%	27.19%	34.26%	8.63%	-10.97%	19.96%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 81,429	\$ 70,703	\$ 58,361	\$ 59,449	\$ 60,252	\$ 51,169	\$ 54,416	\$ 52,852
Contributions in relation to the contractually required contribution	<u>81,429</u>	<u>70,703</u>	<u>58,361</u>	<u>59,449</u>	<u>60,252</u>	<u>51,169</u>	<u>54,416</u>	<u>52,852</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Drexel's covered-employee payroll	783,565	766,151	726,694	750,701	801,562	729,377	749,784	736,701
Contributions as a percentage of covered-employee payroll	10.39%	9.23%	8.03%	7.92%	7.52%	7.02%	7.26%	7.17%

Town of Drexel
Schedule of Changes In Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

Beginning balance	\$183,896
Service Cost	7,442
Interest on the total pension liability	5,755
Changes of benefit terms	
Difference between expected and actual experience in the measurement of the total pension liability	2,771
Changes of assumptions or other inputs	62,128
Benefit payments	(14,701)
Other changes	<u>\$ -</u>
Ending balance of the total pension liability	<u><u>\$247,291</u></u>

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

Town of Drexel, 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	\$247,291	\$183,896	\$177,760	\$ 94,488	\$208,082
Covered payroll	246,922	242,235	237,991	242,839	270,735
Total pension liability as a percentage of covered payroll	100.15%	75.92%	74.69%	38.91%	76.85%

Notes to the schedules:

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

**TOWN OF DREXEL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	2021		
	Budget	Actual	Positive (Negative) Variances
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 403,450	\$ 401,107	\$ (2,343)
Penalties and interest	2,340	2,336	(4)
Total	405,790	403,443	(2,347)
Unrestricted intergovernmental:			
Local option sales taxes	550,000	579,111	29,111
Utility franchise tax	112,500	108,769	(3,731)
Sales tax refund	20,000	21,670	1,670
Alcohol Beverage Tax	7,500	7,660	160
Total	690,000	717,210	27,210
Restricted intergovernmental:			
Powell Bill allocation	50,000	51,478	1,478
Fire department grant	22,000	21,279	(721)
Electricities Grant	5,000	5,000	-
Rural Economic Development Grant	-	-	-
Total	77,000	77,757	757
Permits and fees:			
Zoning fees	1,375	1,375	-
Solid waste disposal fee	80,000	79,064	(936)
Total	81,375	80,439	(936)
Sales and Services:			
Officer fees	250	252	2
Investment earnings	25,500	3,029	(22,471)
Miscellaneous			
Rental	10,800	8,400	(2,400)
Sale of fixed assets	500	500	-
Sale of materials	100	-	(100)
Drexel Foundation - parking	4,000	-	(4,000)
RO Huffman activities	30,000	1,927	(28,073)
Insurance Refund	11,150	11,179	29
COVID Relief Funds	50,550	50,550	-
Other	3,700	1,780	(1,920)
Total	110,800	74,336	(36,464)
Total revenues	1,390,715	1,356,466	(34,249)

	2021			2020
	Budget	Actual	Positive (Negative) Variances	Actual
EXPENDITURES:				
General government:				
Salaries and employee benefits	18,627	18,488	139	18,351
Other operating expenditures	3,600	2,743	857	2,919
Total	22,227	21,231	996	21,270
Administration:				
Elections	1,500	-	1,500	1,152
Reimbursement - proprietary funds	50,000	50,000	-	50,000
Economic Development	10,000	-	10,000	-
Total	61,500	50,000	11,500	51,152
Legal:				
Operating expenses	2,000	1,396	604	1,979
Contracted services	7,500	3,413	4,087	5,127
Total	9,500	4,809	4,691	7,106
Public buildings:				
Other operating expenditures	57,400	53,169	4,231	29,369
Capital outlay	-	-	-	-
Total	57,400	53,169	4,231	29,369
Total general government	150,627	129,209	21,418	108,897
Public safety:				
Police:				
Salaries and employee benefits	370,943	363,873	7,070	354,648
Other operating expenditures	51,050	48,934	2,116	35,190
Capital outlay	41,200	41,142	58	-
Contract Services	5,000	5,042	(42)	4,911
Total	468,193	458,991	9,202	394,749
Fire:				
Salaries and employee benefits	24,400	14,473	9,927	22,313
Other operating expenditures	70,780	62,835	7,945	69,729
Capital outlay	49,546	46,828	2,718	-
Total	144,726	124,136	20,590	92,042
Total public safety	612,919	583,127	29,792	486,791
Transportation				
Streets and highways:				
Salaries and employee benefits	152,680	118,843	33,837	135,860
Maintenance and repairs sidewalk and streets	26,200	4,145	22,055	208,776
Other operating expenditures	78,050	66,930	11,120	70,269
Capital outlay - equipment	55,500	55,022	478	5,000
Total transportation	312,430	244,940	67,490	419,905

	2021			2020
	Budget	Actual	Positive (Negative) Variances	Actual
EXPENDITURES (Continued):				
Environmental protection:				
Sanitation:				
Outside services	78,750	75,881	2,869	74,222
Recycle collection charges	11,200	8,511	2,689	7,744
Tipping fees	100	-	100	-
Total environmental protection	90,050	84,392	5,658	81,966
Culture and recreation:				
Parks and recreation:				
Salaries and employee benefits	32,295	5,601	26,694	24,690
Fairground operating expense	15,000	9,825	5,175	8,714
Other operating expenditures	128,937	27,571	101,366	49,543
Capital outlay	4,500	4,441	59	-
Total culture and recreation	180,732	47,438	133,294	82,947
Debt service:				
Principal retirement	28,519	28,515	4	27,779
Interest	1,538	1,531	7	2,267
Total debt service	30,057	30,046	11	30,046
Special appropriations:				
Contingency				
State sales tax	10,100	10,029	71	11,822
County sales tax	4,300	4,217	83	4,990
Total special appropriations	14,400	14,246	154	16,812
Total expenditures	1,391,215	1,133,398	257,817	1,227,364
Revenues over (under) expenditures	(500)	223,068	223,568	45,718
Other financing sources (uses):				
Transfers from other funds:				
Pension Trust Fund				
Capital Reserve Fund				
Transfers to other funds:				
Enterprise Fund				
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	\$ -	-	\$ -	-
Fund balance appropriated	500		(500)	
Net change in fund balance	\$ -	223,068	\$ 223,068	45,718
Fund Balances:				
Beginning of year, July 1		1,777,912		1,732,194
End of year, June 30		\$ 2,000,980		\$ 1,777,912

**TOWN OF DREXEL, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	2021			
	Budget	Actual	Variance Positive (Negative)	2020 Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 2,414,087	\$ 2,229,358	\$ (184,729)	\$ 2,251,719
Drexel Property Reserve	242,664	242,664	-	152,740
Other operating revenues	45,775	9,830	(35,945)	36,592
Total operating revenues	2,702,526	2,481,852	(220,674)	2,441,051
Nonoperating revenues:				
Interest	6,500	-	(6,500)	6,500
Electricities grant	5,000	5,000	-	-
CDBG Demolition / Cleanup Grant	500,000	-	(500,000)	-
Total non operating revenues	511,500	5,000	(506,500)	6,500
Total revenues	3,214,026	2,486,852	(727,174)	2,447,551
Expenditures:				
Administration:				
Salaries and employee benefits	281,265	273,582	7,683	268,932
Maintenance and repairs	500	70	430	55
Other operating expenditures	136,500	105,322	31,178	103,822
Community relations	23,000	12,950	10,050	17,108
Reserve for economic development	775,000	270	774,730	11,758
Total	1,216,265	392,194	824,071	401,675
Electrical operations:				
Salaries and employee benefits	234,627	202,359	32,268	180,763
Maintenance and repairs	58,000	48,510	9,490	37,015
Other operating expenditures	80,750	51,992	28,758	53,187
Capital outlay	-	-	-	63,000
Drexel Properties Reserve	242,664	-	242,664	-
Total	616,041	302,861	313,180	333,965
Electrical power purchases	1,381,720	1,277,330	104,390	1,321,080
Budgetary appropriations:				
Contingency				
Total budgetary appropriations				
Total expenditures	3,214,026	1,972,385	1,241,641	2,056,720

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues over (under) expenditures	-	514,467	514,467	390,831
Other Financing Sources (Uses):				
Transfers to other funds:				
General Fund (payment in lieu of taxes)				
Appropriated retained earnings	-	-	-	-
Rate Stabilization				
Total other financing (uses)	-	-	-	-
Revenues over (under) expenditures and other financing (uses)	\$ -	514,467	\$ 514,467	390,831

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

Reconciling items:

Increase (decrease) in inventory	27,785	(18,873)
Capital outlay	-	63,000
Depreciation	(32,249)	(28,115)
Increase (decrease) in deferred outflows of resources - pension	7,323	(10,815)
(Increase) decrease in net pension liability	(17,609)	(1,904)
(Increase) decrease in deferred inflows of resources - pension	725	
	-	(1,303)
(Increase) decrease in accrued vacation pay	223	242
Total	(13,802)	2,232
Net Income (Loss)	\$ 500,665	\$ 393,063

**TOWN OF DREXEL, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
Revenues:				
Water and sewer charges	\$ 728,000	\$ 634,340	\$ (93,660)	\$ 637,808
Other operating revenues	22,200	15,282	(6,918)	18,791
Total operating revenues	750,200	649,622	(100,578)	656,599
Nonoperating revenues:				
Insurance refund				
Grants	-	-	-	-
Interest earnings	200	-	(200)	200
Total revenues	750,400	649,622	(100,778)	656,799
Expenditures:				
Water and sewer administration:				
Other operating expenditures	24,000	24,000	-	24,000
Total	24,000	24,000	-	24,000
Water treatment and distribution:				
Water treatment:				
Salaries and employee benefits				
Water purchased	100,000	92,286	7,714	99,139
Other operating expenditures	27,000	25,006	1,994	24,902
Total	127,000	117,292	9,708	124,041
Waste collection and treatment:				
Sewage collection system:				
Waste treatment	231,600	234,179	(2,579)	180,801
Other operating expenditures	33,650	28,468	5,182	61,406
Capital outlay	-	-	-	-
Total	265,250	262,647	2,603	242,207
Water and sewer maintenance:				
Salaries and employee benefits	181,310	169,428	11,882	152,377
Other operating expenditures	80,610	81,513	(903)	73,535
Capital Outlay	75,000	8,601	66,399	23,500
Total	336,920	259,542	77,378	249,412
Debt Service:				
Interest and other charges			-	
Principal retirement	23,555	-	23,555	23,555
Total debt service	23,555	-	23,555	23,555

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures (Continued):				
Capital outlay:				
Water extensions	-	-	-	-
Sewer extension				
Total capital outlay				
Total expenditures	776,725	663,481	113,244	663,215
Revenues over(under) expenditures	-	-	-	(6,416)
Other financing sources (uses):				
Transfer to other fund:				
General Fund (payment in lieu of taxes)				
Proceeds from long term debt				
Appropriated Retained Earnings	26,325	-	(26,325)	-
Transfer From General Fund				
Contingency				
Total other financing sources (uses)	26,325	-	(26,325)	-
Revenues and other sources over expenditures and other uses	\$ -	(13,859)	\$ (13,859)	(6,416)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Principal retirement		23,555		23,555
Capital outlay		8,601		23,500
Decrease (increase) in accrued vacation pay		79		270
Depreciation		(43,908)		(82,150)
Increase (decrease) in deferred outflows of resources - pension		7,323		(10,814)
(Increase) decrease in net pension liability		(17,609)		(1,905)
(Increase) decrease in deferred inflows of resources - pension		725		(1,303)
Increase (decrease) in inventory		(4,352)		12,019
Total		(25,586)		(36,828)
Net Income		\$ (39,445)		\$ (43,244)

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

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020 - 2021	\$ -	\$ 399,730	\$ 393,761	\$ 5,969
2019 - 2020	8,432	-	5,105	3,327
2018 - 2019	2,426	-	2,010	416
2017 - 2018	240	-	-	240
2016 - 2017	268	-	-	268
2015 - 2016	267	-	-	267
2014 - 2015	231	-	-	231
2013 - 2014	231	-	-	231
2012 - 2013	229	-	225	4
2011 - 2012	5	-	-	5
2010 - 2011	6	-	6	-
	<u>\$ 12,335</u>	<u>\$ 399,730</u>	<u>\$ 401,107</u>	<u>10,958</u>

Plus: uncollected 2020 - 2021 ad valorem
taxes receivable annually registered
vehicles

Less: allowance for uncollectible accounts:
General Fund

Ad valorem taxes receivable - net \$ 10,958

Reconcilement with revenues:

Ad valorem taxes - General Fund	398,369
Reconciling items:	
Interest collected	(2,336)
Discounts allowed	5,068
Taxes written off	<u>6</u>
Total collections and credits	<u>\$ 401,107</u>

**TOWN OF DREXEL, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN - WIDE LEVY
JUNE 30, 2021**

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property tax at current rates	\$ 90,367,632	.38	\$ 343,397	\$ 343,397	\$ -
Registered motor vehicles taxed at prior year's rate	13,253,684	.38	50,364		50,364
Penalties					
Total	103,621,316		393,761	343,397	50,364
Discoveries:					
Current year taxes					
Prior year taxes					
Penalties					
Abatements					
Total property valuation	<u>\$ 103,621,316</u>				
Net levy			393,761	343,397	50,364
Uncollected taxes at June 30, 2021			5,969	5,969	-
Current year's taxes collected			<u>\$ 387,792</u>	<u>\$ 337,428</u>	<u>\$ 50,364</u>
Current levy collection percentage			<u>98.50%</u>	<u>98.20%</u>	<u>100.00%</u>

**TOWN OF DREXEL
GASB 34 CALCULATION OF MAJOR FUNDS
FISCAL YEAR ENDED JUNE 30, 2021**

<u>Type of Fund</u>	<u>Assets</u>	<u>Computes "X" if Meets</u>		<u>Liabilities</u>	<u>Computes "X" if Meets</u>		<u>Revenue</u>	<u>Computes "X" if Meets</u>		<u>Expenditures/ Expenses</u>	<u>Computes "X" if Meets</u>		<u>Computes "MAJOR" if Fund is Major If a "Category" Has an "X" in Both Columns, Then Fund is a Major Fund</u>
		<u>10% Rule</u>	<u>5% Rule</u>		<u>10% Rule</u>	<u>5% Rule</u>		<u>10% Rule</u>	<u>5% Rule</u>		<u>10% Rule</u>	<u>5% Rule</u>	
General Fund	\$ 3,553,436	N/A	N/A	\$ 474,974	N/A	N/A	\$ 1,356,668	N/A	N/A	\$ 1,061,854	N/A	N/A	YES - ALWAYS MAJOR
Total Government Funds	<u>\$ 3,553,436</u>			<u>\$ 474,974</u>			<u>\$ 1,356,668</u>			<u>\$ 1,061,854</u>			
10% of Total Governmental Funds	<u>\$ 355,344</u>			<u>\$ 47,497</u>			<u>\$ 135,667</u>			<u>\$ 106,185</u>			
Enterprise Funds:													
Electric Fund	\$ 4,350,503	X	X	\$ 229,041	X	X	\$ 2,481,852	X	X	\$ 1,986,186	X	X	MAJOR
Water and Sewer Fund	<u>1,199,475</u>	X	X	<u>56,520</u>	X	X	<u>649,622</u>	X	X	<u>689,069</u>	X	X	MAJOR
Total Enterprise Funds	<u>\$ 5,549,978</u>			<u>\$ 285,561</u>			<u>\$ 3,131,474</u>			<u>\$ 2,675,255</u>			
10% of Total Enterprise Funds	<u>\$ 554,998</u>			<u>\$ 28,556</u>			<u>\$ 313,147</u>			<u>\$ 267,526</u>			
Total Governmental and Enterprise Funds	<u>\$ 9,103,414</u>			<u>\$ 760,535</u>			<u>\$ 4,488,142</u>			<u>\$ 3,737,109</u>			
5% of Total Governmental and Enterprise Funds	<u>\$ 455,171</u>			<u>\$ 38,027</u>			<u>\$ 224,407</u>			<u>\$ 186,855</u>			