

Town of Eastover

North Carolina

Independent Auditor's Report

Financial Statements

and

Supplementary Information

June 30, 2021

Town of Eastover, North Carolina
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June 30, 2021

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Financial Section

HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1007 HAY STREET
FAYETTEVILLE, NORTH CAROLINA 28305

Independent Auditor's Report

To the Honorable Mayor and
Town Council
Eastover, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Eastover, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Eastover, North Carolina'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Haigh, Byrd + Lambert, LLP

October 25, 2021

Fayetteville, North Carolina

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Eastover, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of its financial activities 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

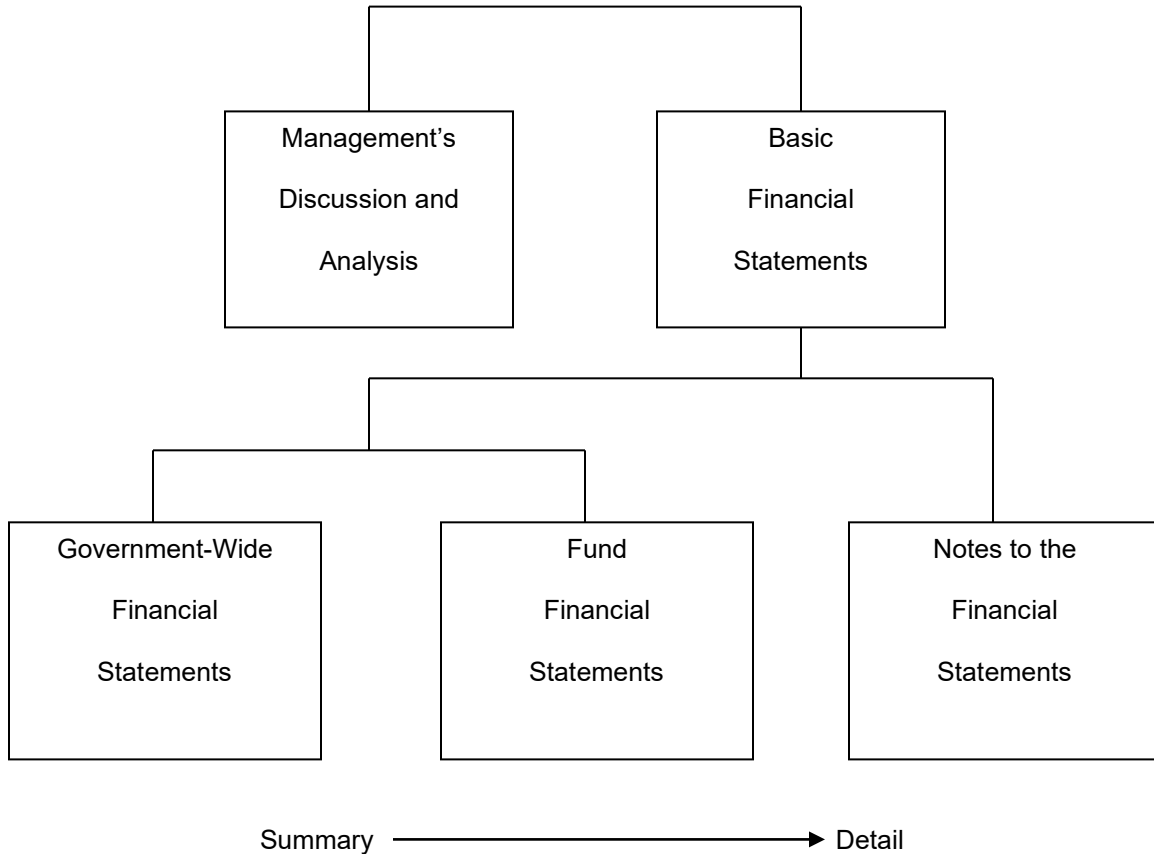
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,011,958 (*net position*).
- The government's total net position increased by \$861,669 due to increases in the governmental activities net position. The key factors in this increase were the receipt of capital contributions for improvements to cultural and recreational activities and conservative spending policies.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$6,623,113, an increase of \$559,849. Approximately 13.12% of this total amount, or \$868,649, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,754,464, or 426.81% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town'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.

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 5) 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 two parts to the fund financial statements: 1) the governmental fund statements; and 2) the budgetary comparison 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 display the Town's governmental activities. The governmental activities include the Town's basic services such as general administration, public safety, economic and physical development, transportation, and parks and recreation. Property taxes and State-shared revenues finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) 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, 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. The Town's only fund, the General Fund, is a governmental fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in a governmental fund. 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 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 Council 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 Council; 2) the final budget as amended by the Council; 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.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values

associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Eastover's Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 6,669,362	\$ 6,106,613
Capital assets	2,437,008	2,129,021
Deferred outflows of resources	23,700	30,857
Total assets and deferred outflows of resources	9,130,070	8,266,491
Current liabilities	37,674	36,529
Long-term liabilities	46,855	52,599
Deferred inflows of resources	33,583	27,074
Total liabilities and deferred inflows of resources	118,112	116,202
Net position:		
Net investment in capital assets	2,437,008	2,129,021
Restricted	868,649	770,922
Unrestricted	5,706,301	5,250,346
Total net position	\$ 9,011,958	\$ 8,150,289

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. As of June 30, 2021, the assets and deferred outflows of the Town exceeded its liabilities and deferred inflows by \$9,011,958. For the fiscal year ended June 30, 2021, the Town's net position increased \$861,669. The largest portion (63.32%) of net position is unrestricted. An additional portion of the Town's net position (9.64%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,437,008 (27.04%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Eastover uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The following aspect of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.60%.
- Increased sales tax revenue of approximately \$133,000 due to economic growth in the Town.

Town of Eastover's Changes in Net Position

Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	71,355	73,153
Capital grants and contributions	20,694	108,482
General revenues:		
Property taxes	706,241	681,610
Other taxes	-	-
Grants and contributions not restricted to specific programs	1,107,598	976,431
Unrestricted investment earnings	2,685	36,593
Miscellaneous	1,392	5,747
Total revenues	<u>1,909,965</u>	<u>1,882,016</u>
Expenses:		
General government	261,606	308,870
Public safety	481,930	422,315
Transportation	42,522	15,846
Economic and physical development	9,215	12,171
Cultural and recreational	253,023	240,990
Total expenses	<u>1,048,296</u>	<u>1,000,192</u>
Increase (decrease) in net position	861,669	881,824
Net position, beginning of year	8,150,289	7,268,465
Net position, end of year	<u><u>\$ 9,011,958</u></u>	<u><u>\$ 8,150,289</u></u>

Governmental Activities. Governmental activities increased the Town's net position by \$861,669.

Financial Analysis of the Town's Fund

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

Governmental Fund. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,754,464, while the total fund balance was \$6,623,113. 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 426.81% of total General Fund expenditures, while total fund balance represents 491.23% of that same amount.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on one occasion. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made

to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Actual revenues were more than budgeted amounts. Actual expenditures were less than those budgeted.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2021, the Town's investment in capital assets for its governmental activities totals \$2,437,008 (net of accumulated depreciation). These assets include land, buildings, improvements, furniture and equipment, and construction in progress.

In fiscal year 2021, improvements were made to Town's park in conjunction with the Fayetteville-Cumberland County Parks and Recreation Department. The budget for these improvements is \$102,431. The Fayetteville-Cumberland County Parks and Recreation Department has committed to fund the entire project. The Town is not responsible for any expenditures. In fiscal year 2021, the Fayetteville-Cumberland County Parks and Recreation Department contributed \$20,694 for improvements to the Town's park. As of June 30, 2021, the renovations are not completed.

Town of Eastover's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 857,421	\$ 857,421
Buildings	162,033	166,744
Improvements	676,523	737,225
Furniture and equipment	77,358	83,815
Infrastructure	146,538	149,684
Construction in progress	517,135	134,132
Total	<u>\$2,437,008</u>	<u>\$2,129,021</u>

Additional information on the Town's capital assets can be found in Note II.A.4 of the basic financial statements.

Long-Term Debt. As of June 30, 2021, the Town had no long-term debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$27,491,228.

Economic Factors and Next Year's Budget and Rates

The following key indicator reflects the current economic climate of the Town.

- The local unemployment rate of 6.5% is below the State average of 7.4%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The Town's property tax rate will remain unchanged. The Town will use its revenues to finance programs currently in place. The budget is 23.7% more than the June 30, 2021 budget due to the increase in local sales tax

collection and a transfer from the Capital Reserve fund of \$300,000 for the construction of bathrooms and a picnic shelter. A design and site plan have been approved for a new town hall, but construction has been placed on hold until a new agreement has been reached regarding sales tax distribution.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Eastover, 3863 Dunn Road, Eastover, North Carolina 28312. One can also call (910)323-0707, visit our website www.eastovernc.com or send an email to townmanager@eastovernc.com for more information.

Basic Financial Statements

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

	Governmental Activities
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,791,163
Restricted cash and cash equivalents	660,127
Taxes receivables (net)	9,550
Accounts receivable (net)	14,980
Due from other governments	193,542
Total current assets	<u>6,669,362</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	1,374,556
Other capital assets, net of depreciation	1,062,452
Total capital assets	<u>2,437,008</u>
Total assets	<u><u>9,106,370</u></u>
Deferred outflows of resources:	
Pension deferrals	21,264
OPEB deferrals	2,436
Total deferred outflows of resources	<u><u>23,700</u></u>
Liabilities:	
Current liabilities:	
Accounts payable	36,699
Compensated absences	975
Total current liabilities	<u>37,674</u>
Long-term liabilities:	
Due in more than one year	46,855
Total liabilities	<u><u>84,529</u></u>
Deferred inflows of resources:	
Pension deferrals	3,817
OPEB deferrals	29,766
Total deferred inflows of resources	<u><u>33,583</u></u>
Net position:	
Net investment in capital assets	2,437,008
Restricted for:	
Stabilization by State Statute	208,522
Streets	650,127
Talley Woodland Park	10,000
Unrestricted	5,706,301
Total net position	<u><u>\$ 9,011,958</u></u>

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

					Net (Expense) Revenue and Changes in Net Position
	Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 261,606	\$ -	\$ -	\$ -	\$ (261,606)
Public safety	481,930	-	-	-	(481,930)
Transportation	42,522	-	71,355	-	28,833
Economic and physical development	9,215	-	-	-	(9,215)
Cultural and recreational	253,023	-	-	20,694	(232,329)
Total	<u>\$ 1,048,296</u>	<u>\$ -</u>	<u>\$ 71,355</u>	<u>\$ 20,694</u>	<u>(956,247)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					706,241
Grants and contributions not restricted to specific programs					1,107,598
Unrestricted investment earnings					2,685
Miscellaneous					1,392
Total general revenues					<u>1,817,916</u>
Change in net position					<u>861,669</u>
Net position, beginning					<u>8,150,289</u>
Net position, ending					<u>\$ 9,011,958</u>

Town of Eastover, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

	Major Fund General
Assets:	
Cash and cash equivalents	\$ 5,791,163
Restricted cash and cash equivalents	660,127
Receivables, net:	
Taxes	9,550
Accounts	14,980
Due from other governments	193,542
Total assets	<u>\$ 6,669,362</u>
Liabilities:	
Accounts payable	\$ 36,699
Total liabilities	<u>36,699</u>
Deferred inflows of resources:	
Property taxes receivable	9,550
Prepaid taxes	-
Total deferred inflows of resources	<u>9,550</u>
Fund balance:	
Restricted:	
Stabilization by State Statute	208,522
Streets	650,127
Talley Woodland Park	10,000
Assigned:	
General government	-
Unassigned	5,754,464
Total fund balance	<u>6,623,113</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 6,669,362</u>

Town of Eastover, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Fund balance - governmental fund	\$ 6,623,113
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	
Gross capital assets at historical cost	2,807,251
Accumulated depreciation	(370,243)
Deferred outflows of resources related to pensions are not reported in the funds.	21,264
Deferred outflows of resources related to OPEB are not reported in the funds	2,436
Earned revenues considered deferred inflows of resources in fund statements.	9,550
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Net pension liability	(31,446)
Compensated absences	(1,949)
OPEB liability	(14,435)
Deferred inflows of resources related to pensions are not reported in the funds.	(3,817)
Deferred inflows of resources related to OPEB are not reported in the funds.	(29,766)
Net position of governmental activities	\$ 9,011,958

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

	Major Fund
	General
Revenues:	
Ad valorem taxes	\$ 704,387
Unrestricted intergovernmental	1,107,598
Restricted intergovernmental	71,355
Investment earnings	2,685
Miscellaneous	1,392
Total revenues	<u>1,887,417</u>
Expenditures:	
Current:	
General government	251,923
Public safety	481,930
Transportation	39,376
Economic and physical development	9,215
Cultural and recreational	171,830
Capital outlay	393,989
Total expenditures	<u>1,348,262</u>
Revenues over (under) expenditures	539,155
Other financing sources (uses):	
Local capital contributions	20,694
Total other financing sources (uses)	<u>20,694</u>
Net change in fund balance	559,849
Fund balance, beginning of year	6,063,264
Fund balance, end of year	<u><u>\$ 6,623,113</u></u>

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

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

Net change in fund balance - governmental fund	\$ 559,849
Governmental funds report capital outlays as expenditures. In the Statement of Activities. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	393,989
Depreciation expense for governmental assets	(86,003)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,741
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	
Change in unavailable revenue for tax revenues	1,854
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 the governmental funds.	
Compensated absences	(198)
Pension expense	(14,448)
OPEB plan expense	1,885
Total changes in net position of governmental activities	<u>\$ 861,669</u>

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 677,500	\$ 677,500	\$ 704,387	\$ 26,887
Unrestricted intergovernmental	761,000	761,000	1,107,598	346,598
Restricted intergovernmental	60,000	60,000	71,355	11,355
Investment earnings	46,000	46,000	2,685	(43,315)
Miscellaneous	5,000	5,000	1,392	(3,608)
Total revenues	1,549,500	1,549,500	1,887,417	337,917
Expenditures:				
Current:				
General government	329,300	329,300	251,923	77,377
Public safety	508,500	508,500	481,930	26,570
Transportation	95,000	95,000	39,376	55,624
Economic and physical development	15,000	15,000	9,215	5,785
Cultural and recreational	464,694	614,694	565,819	48,875
Contingency	-	-	-	-
Total expenditures	1,412,494	1,562,494	1,348,262	214,232
Revenues over (under) expenditures	137,006	(12,994)	539,155	552,149
Other financing sources (uses):				
Local capital contributions	20,694	20,694	20,694	-
Total other financing sources (uses)	20,694	20,694	20,694	-
Fund balance (surplus) appropriated	(157,700)	(7,700)	-	7,700
Net change in fund balance	\$ -	\$ -	559,849	\$ 559,849
Fund balance, beginning of year			6,063,264	
Fund balance, end of year			<u>\$ 6,623,113</u>	

Notes to the Financial Statements

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town 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 is a municipal corporation that is governed by an elected mayor and a six-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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues 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 fund 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 fund. The emphasis of fund financial statements is on the major governmental fund.

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 general administration, public safety, street maintenance and construction, economic and physical development, and parks and recreation.

The Town does not have any business-type activities, those that the Town charges customers to provide. Therefore, the Town does not maintain a proprietary fund to account for such activities. The Eastover Sanitary District, a component unit of Cumberland County, provides public water to the Town's residents.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the Town's fund is maintained during the year using the modified accrual basis of accounting.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities sales 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 Eastover because the tax is levied by Cumberland 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,000. All amendments must be approved by the governing council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing council 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 council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended Talley Woodland Park donation proceeds are restricted to the beautification of and improvements to Talley Woodland Park. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

Restricted Cash

Governmental activities:

General Fund:

Streets	\$ 650,127
Talley Woodland Park	10,000

Total restricted cash	<u>\$ 660,127</u>
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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.

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 was written off in prior years.

6. Prepaid Items

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 are 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 amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings and improvements, \$7,500; infrastructure, \$10,000; furniture and equipment, \$2,500; and

vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	40
Improvements	15
Infrastructure	50
Furniture and equipment	10
Computer equipment	5
Vehicles	5

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 two items that meet this criterion – pension deferrals and OPEB deferrals for 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 three items that meet the criterion for this category – property taxes receivable, pension deferrals and OPEB deferrals.

9. Long-Term Obligations

The Town is not obligated for any long-term debt.

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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.

Restricted for Talley Woodland Park – Talley Woodland Park donation proceeds are restricted to the beautification of and improvements to Talley Woodland Park. This amount represents the balance of the total unexpended funds.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes imposed by majority vote by quorum of the Town'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.

Assigned Fund Balance – This classification includes amounts that the Town intends to use for specific purposes.

Unassigned Fund Balance – This classification includes amounts that have not been restricted, committed, or assigned to specific purposes or other funds.

The Town 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-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Eastover's employer contributions are recognized when due and the Town of Eastover 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 the unit's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,685,384 and a bank balance of \$2,747,263. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2021, the Town of Eastover had \$3,765,906 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

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

General Fund:	
Taxes receivable	<u>\$ 13,694</u>

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 857,421	\$ -	\$ -	\$ 857,421
Construction in progress	134,132	383,003	-	517,135
Total capital assets not being depreciated	991,553	383,003	-	1,374,556
Capital assets being depreciated:				
Buildings	188,440	-	-	188,440
Improvements	900,188	-	-	900,188
Furniture and equipment	175,806	10,986	-	186,792
Vehicles	-	-	-	-
Infrastructure	157,275	-	-	157,275
Total capital assets being depreciated	1,421,709	10,986	-	1,432,695
Less accumulated depreciation for:				
Buildings	21,696	4,711	-	26,407
Improvements	162,963	60,702	-	223,665
Furniture and equipment	91,991	17,443	-	109,434
Vehicles	-	-	-	-
Infrastructure	7,591	3,146	-	10,737
Total accumulated depreciation	284,241	86,002	-	370,243
Total capital assets being depreciated, net	1,137,468			1,062,452
Governmental activity capital assets, net	<u>\$2,129,021</u>			<u>\$2,437,008</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 1,663
Public safety	-
Transportation	3,146
Environmental protection	-
Cultural and recreational	81,193
Total depreciation expense	<u>\$ 86,002</u>

B. Liabilities

1. Pension Plan and Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Eastover is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Eastover 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 Eastover's contractually required contribution rate for the year ended June 30, 2021, was 10.64% 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 Eastover were \$4,741 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$31,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the

actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00118%, which was unchanged from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$14,442. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,971	\$ -
Changes of assumptions	2,340	-
Net difference between projected and actual earnings on pension plan investments	4,425	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,787	3,817
Town contributions subsequent to the measurement date	4,741	-
Total	<u>\$ 21,264</u>	<u>\$ 3,817</u>

\$4,741 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 5,126
2023	4,615
2024	1,657
2025	1,310
2026	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 63,801	\$ 31,446	\$ 4,557

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

b. Supplemental Retirement Income Plan

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

Funding Policy. The Town has contributed each month an amount equal to 5.00% of each eligible employee's salary, and all amounts contributed are vested immediately. Also, eligible employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$5,284 which consisted of \$2,202 from the Town and \$3,082 from employees.

c. Other Post-Employment Benefits (OPEB)

Healthcare Benefits

Plan Description. The Town's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the Town. The Plan, which is administered by the Town, allows employees who retire and meet retirement eligibility requirements under the North Carolina Local Government Employees' Retirement System to continue medical insurance coverage as a participant in the Town's Plan. No assets are in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. An employee who retires before age 65 under the provisions set forth under the North Carolina Local Government Employees' Retirement System and has completed at least five years of continuous service with the Town of Eastover may continue the group health, vision and dental insurance plan coverage until age 65, with the Town sharing the cost based upon length of service with the Town. Dependent coverage would be paid in full by the retiree. The employee must elect to continue the insurance at the time of retirement to receive the following:

<u>Years of Creditable Service</u>	<u>Retiree Benefit</u>
Less than 5 years	No health benefits available
5-10 years	Retiree pays 100% of current retiree rate
10-15 years	Town pays 25% of current retiree rate, retiree pays remainder
15-20 years	Town pays 50% of current retiree rate, retiree pays remainder
20-25 years	Town pays 75% of current retiree rate, retiree pays remainder
25+ years	Town pays 100% of current retiree rate

At age 65, Medicare and Medicare supplement will be shared as shown above. An employee who, without regard to length of service or age, becomes totally disabled and must retire from the Town's employment due to the disability shall also be allowed to continue to participate in the group health, vision and dental insurance plan provided that the former employee reimburse the Town for all premium costs. The families of the former employee shall also participate provided that the former employee reimburses the Town for all dependent coverage premium costs.

Membership of the Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	1
Total	<u>1</u>

Total OPEB Liability

The Town's total OPEB liability of \$14,435 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies by service
Discount Rate	2.66%
Initial Trend Rate	7.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	54

Given the Town's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.66%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Index as published by S&P Dow Jones Indices. The S&P Municipal Bond Index consists of bonds in the S7P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 19,499
Changes for the year	
Service cost	3,087
Interest	630
Changes of benefit terms	(8,598)
Difference between expected and actual experience	(183)
Changes in assumption	-
Benefit payments	-
Net changes	<u>(5,064)</u>
Balance at June 30, 2021	<u>\$ 14,435</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.79% for the fiscal year ending June 30, 2020 to 2.66% for the fiscal year ending June 30, 2021.

Mortality rates were based on RP-2014 Mortality Tables projected from 2014 using Scale MP-2015

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current discount rate:

	1% Decrease (1.66%)	Discount Rate (2.66)	1% Increase (3.66%)
Total OPEB liability	\$ 18,632	\$ 14,435	\$ 11,294

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

	1% Decrease 3.00% - 6.00%	Health Care Cost Trend 4.00% - 7.00%	1% Increase 5.00% - 8.00%
Total OPEB liability	\$ 10,417	\$ 14,435	\$ 20,196

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$(1,885). At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,123
Changes of assumptions	2,436	20,643
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 2,436</u>	<u>\$ 29,766</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (5,602)
2023	(5,602)
2024	(5,602)
2025	(5,606)
2026	(187)
Thereafter	(4,731)
	<u>\$ (27,330)</u>

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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. The Town considers these contributions to be immaterial.

The Town has also elected to provide life insurance coverage to employees through the North Carolina League of Municipalities.

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 4,741
Benefit payments and administrative costs for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	3,971
Changes of assumptions	4,776
Net difference between projected and actual	4,425
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,787
Total	<u>\$ 23,700</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	-	9,550
Differences between expected and actual experience	9,123	-
Changes of assumptions	20,643	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,817	-
Total	<u>\$ 33,583</u>	<u>\$ 9,550</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, auto liability, public officials liability, employment practices liability, and employee benefits liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property

policy, and workers' compensation coverage up to \$500,000. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and public officials' liability in excess of \$1 million, property in excess of \$500,000, and \$1 million up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are insured under blanket crime coverage up to \$10,000. The finance officer is individually bonded for \$50,000.

5. Long-Term Obligations

Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 1,751	\$ 198	\$ -	\$ 1,949	\$ 975
Total OPEB liability	19,499	-	5,064	14,435	-
Net pension liability (LGERS)	32,225	-	779	31,446	-
Governmental activity long-term liabilities	<u>\$ 53,475</u>	<u>\$ 198</u>	<u>\$ 5,843</u>	<u>\$ 47,830</u>	<u>\$ 975</u>

At June 30, 2021, the Town had a legal debt margin of \$27,491,228.

C. Fund Balance

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

Total fund balance – General Fund	\$ 6,623,113
Less:	
Stabilization by State Statute	208,522
Talley Woodland Park	10,000
Streets – Powell Bill	<u>650,127</u>
Remaining fund balance	<u>\$ 5,754,464</u>

III. Jointly Governed Organization

The Town, in conjunction with three counties and twenty other municipalities established the Mid-Carolina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$871 to the Council during the fiscal year ended June 30, 2021.

IV. Related Party Transactions

On December 1, 2007, the Town entered into a lease agreement with Culbreth Investments, LLC (the LLC) for the use of office space. The month-to-month lease agreement requires a monthly rental payment of \$1,050. One of the Town's elected commissioners has a 50% membership interest in the LLC.

V. Summary Disclosure of Significant Contingencies

State Assisted Program

The Town has received proceeds from the State Powell Bill Program. Periodic audits of this grant are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant moneys to the North Carolina Department of Transportation. 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. Subsequent Events

Subsequent events have been evaluated through October 25, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Eastover, North Carolina
Town of Eastover's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six 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>
Town of Eastover's proportion of the net pension liability (asset) (%)	0.00088%	0.00118%	0.00118%	0.00117%	0.00101%	0.00054%
Town of Eastover's proportion of the net pension liability (asset) (\$)	\$ 31,446	\$ 32,225	\$ 27,994	\$ 17,874	\$ 21,436	\$ 2,423
Town of Eastover's covered-employee payroll	\$ 44,558	\$ 63,586	\$162,336	\$159,836	\$144,355	\$115,025
Town of Eastover's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.57%	50.68%	17.24%	11.18%	14.85%	2.11%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.08%	99.07%	102.64%

Town of Eastover, North Carolina
Town of Eastover's Contributions
Required Supplementary Information
Last Six 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>
Contractually required contribution	\$ 4,741	\$ 5,691	\$ 9,061	\$ 12,175	\$ 11,588	\$ 9,628	\$ 8,132
Contributions in relation to the contractually required contribution	<u>4,741</u>	<u>5,691</u>	<u>9,061</u>	<u>12,175</u>	<u>11,588</u>	<u>9,628</u>	<u>8,132</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Eastover's covered employee payroll	\$ 44,558	\$ 63,586	\$ 116,911	\$ 162,336	\$ 159,836	\$ 144,355	\$ 115,025
Contributions as a percentage of covered employee payroll	10.64%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%

Town of Eastover, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

	<u>2021</u>	<u>2020</u>
Total OPEB Liability		
Service cost	\$ 3,087	\$ 2,180
Interest	630	599
Changes of benefit terms	-	-
Differences between expected and actual experience	(8,598)	-
Changes of assumptions	(183)	3,410
Benefit payments	-	-
Net change in total OPEB liability	<u>(5,064)</u>	<u>6,189</u>
Total OPEB liability - beginning	<u>19,499</u>	<u>13,310</u>
Total OPEB liability - ending	<u><u>\$ 14,435</u></u>	<u><u>\$ 19,499</u></u>
 Covered payroll	 43,680	 121,089
 Total OPEB liability as a percentage of covered payroll	 33.05%	 16.10%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2021	2.66%
2020	2.79%
2019	3.87%

Individual Fund Financial Statements and Schedules

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 701,986	\$ -
Penalties and interest	-	2,401	-
Total	<u>677,500</u>	<u>704,387</u>	<u>26,887</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	947,517	-
Telecommunications sales tax	-	21,145	-
Utilities sales tax	-	105,653	-
Piped natural gas sales tax	-	150	-
Video programming sales tax	-	17,517	-
Beer and wine tax	-	15,616	-
Total	<u>761,000</u>	<u>1,107,598</u>	<u>346,598</u>
Restricted intergovernmental:			
Powell Bill allocation	-	71,355	-
Total	<u>60,000</u>	<u>71,355</u>	<u>11,355</u>
Investment earnings	<u>46,000</u>	<u>2,685</u>	<u>(43,315)</u>
Miscellaneous:			
Rental income	-	1,200	-
Other	-	192	-
Total	<u>5,000</u>	<u>1,392</u>	<u>(3,608)</u>
Total revenues	<u>1,549,500</u>	<u>1,887,417</u>	<u>337,917</u>
Expenditures:			
General government:			
Administration/Finance:			
Salaries and employee benefits	-	135,407	-
Professional services	-	18,512	-
Election cost	-	-	-
Training and travel	-	530	-
Utilities and telephone	-	13,436	-
Maintenance and repairs	-	25,188	-
Building lease	-	12,600	-
Supplies	-	4,653	-
Insurance	-	5,966	-
Other operating expenditures	-	13,985	-
Total	<u>306,300</u>	<u>230,277</u>	<u>76,023</u>

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

	Budget	Actual	Variance Positive (Negative)
Taxes:			
Collection fees	14,000	12,831	1,169
Legal:			
Contracted services	9,000	8,815	185
Total general government	329,300	251,923	77,377
Public safety:			
Police:			
Contracted services	100,000	71,080	28,920
Fire:			
Contracted services	408,500	410,850	(2,350)
Total public safety	508,500	481,930	26,570
Transportation:			
Streets:			
Street lights	-	24,676	-
Maintenance and repairs	-	14,700	-
Capital outlay	-	-	-
Total transportation	95,000	39,376	55,624
Economic and physical development:			
Planning/Zoning:			
Contracted services	-	9,215	-
Total economic and physical development	15,000	9,215	5,785
Cultural and recreational:			
Parks and recreation:			
Contracted services	-	171,830	-
Capital outlay	-	393,989	-
Total cultural and recreational	614,694	565,819	48,875
Contingency	-	-	-
Total expenditures	1,562,494	1,348,262	214,232
Revenues over (under) expenditures	(12,994)	539,155	552,149
Other financing sources (uses):			
Local capital contributions	20,694	20,694	-
Total other financing sources (uses)	20,694	20,694	-
Fund balance (surplus) appropriated	(7,700)	-	7,700
Net change in fund balance	\$ -	559,849	\$ 559,849
Fund balance:			
Beginning of year		6,063,264	
End of year		<u>\$ 6,623,113</u>	

Other Schedules

This section contains additional information on property taxes.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 704,847	\$ 694,962	\$ 9,885
2019-2020	8,787	-	5,811	2,976
2018-2019	2,976	-	609	2,367
Prior	8,618	-	602	8,016
	<u>\$ 20,381</u>	<u>\$ 704,847</u>	<u>\$ 701,984</u>	<u>23,244</u>
Less: allowance for uncollectible accounts General Fund				<u>13,694</u>
Ad valorem taxes receivable - net				<u>\$ 9,550</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 704,387</u>
Reconciling items:				
Interest collected				(2,401)
Adjustments and Releases				(2)
Subtotal				<u>(2,403)</u>
Total collections and credits				<u>\$ 701,984</u>

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

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 344,617,073	\$ 0.205	\$ 706,465	\$ 597,479	\$ 108,986
Penalties	-		14	14	-
Total	<u>344,617,073</u>		<u>706,479</u>	<u>597,493</u>	<u>108,986</u>
Discoveries	2,994,268	0.205	6,138	6,138	-
Penalties	-		373	373	-
Total	<u>2,994,268</u>		<u>6,511</u>	<u>6,511</u>	<u>-</u>
Abatements	(3,970,995)	0.205	(8,141)	(8,141)	-
Penalties	-		(1)	(1)	-
Total	<u>(3,970,995)</u>		<u>(8,142)</u>	<u>(8,142)</u>	<u>-</u>
Total property valuation	<u><u>\$ 343,640,346</u></u>				
Net levy			704,847	595,862	108,986
Uncollected taxes at June 30, 2021			<u>(9,885)</u>	<u>(9,885)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 694,962</u>	<u>\$ 585,977</u>	<u>\$ 108,986</u>
Current levy collection percentage			<u>98.60%</u>	<u>98.34%</u>	<u>100.00%</u>