

REVIEWED

By SLGFD at 4:01 pm, Dec 08, 2021

TOWN OF ELLERBE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2021

TOWN OF ELLERBE, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2021

MAYOR

FRED CLONINGER

TOWN COUNCIL

ARCHIE ROBINSON - MAYOR PRO-TEM

JEAN FLETCHER

ELSIE FREEMAN

JEREMY MCKENZIE

OTHER OFFICIALS

JANE SMITH

TOWN CLERK

RAY HERNDON

TOWN ATTORNEY

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FINANCIAL SECTION

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Other Office Locations:
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Gastonia, North Carolina
Statesville, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Other Matters

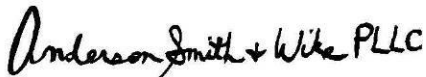
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 9 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 41 and 42, respectively, the Firefighter's and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 43, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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



Rockingham, NC
November 30, 2021

Management's Discussion and Analysis

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

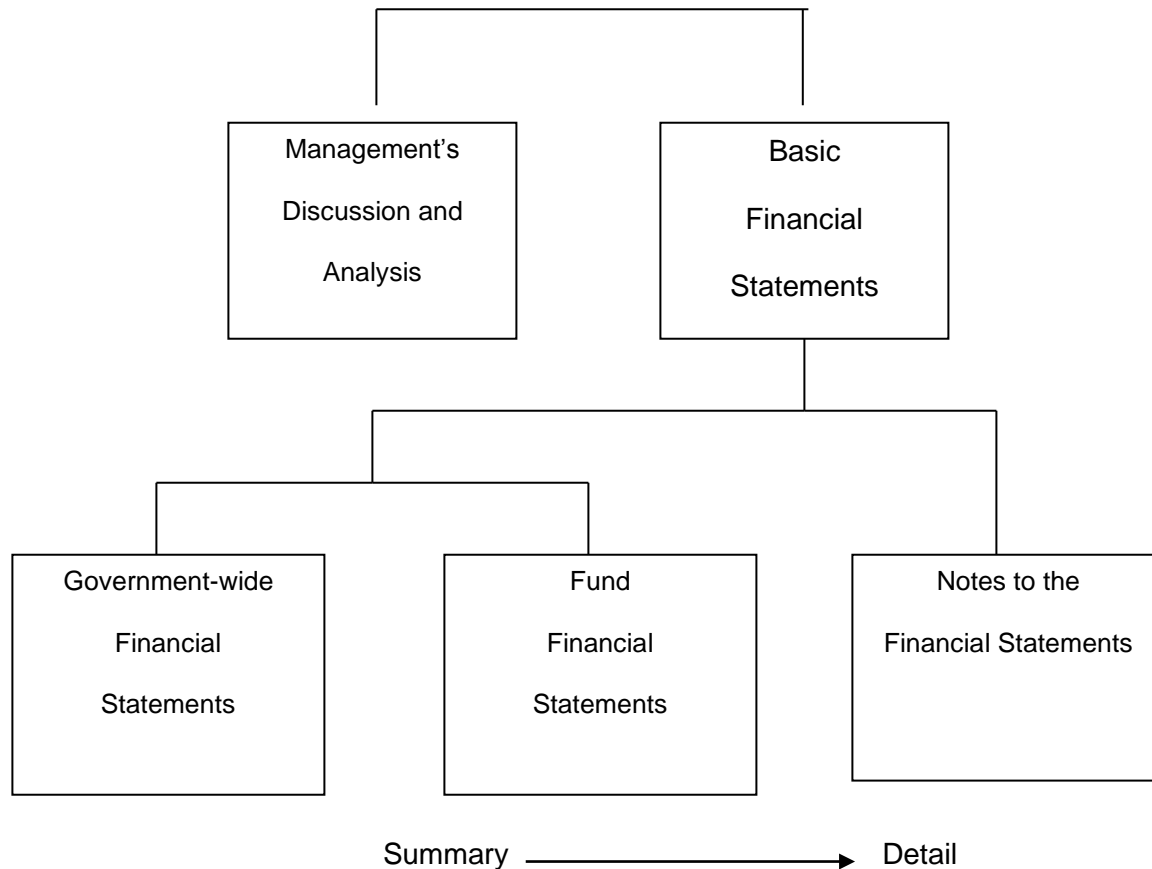
Financial Highlights

- The assets and deferred outflows of resources of the Town of Ellerbe exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,272,930 (*net* position).
- The government's total net position decreased by \$154,451.
- As of the close of the current fiscal year, the Town of Ellerbe's general fund reported combined ending fund balances of \$495,113, a decrease of \$37,791 in comparison with the prior year. Approximately 36.2 percent of this total amount, or \$179,190, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was 18.3 percent of the total general fund expenditures for the fiscal year.
- The Town of Ellerbe's total debt decreased by \$96,100 (4.1%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



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 9) 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 fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and 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 two categories: governmental activities and business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, environmental protection, culture and recreation and debt service. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Ellerbe.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ellerbe, 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 the Town of Ellerbe can be divided into two categories: governmental funds and proprietary funds.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

The Town of Ellerbe's Net Position						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2019</u>
Current and other assets	\$ 558,578	\$ 582,194	\$ 102,443	\$ 85,018	\$ 661,021	\$ 667,212
Capital assets	1,099,200	1,149,243	6,105,037	6,251,747	7,204,237	7,400,990
Deferred outflows of resources	<u>64,367</u>	<u>55,292</u>	<u>33,159</u>	<u>29,773</u>	<u>97,526</u>	<u>85,065</u>
Total assets and deferred outflows of resources	<u>1,722,145</u>	<u>1,786,729</u>	<u>6,240,639</u>	<u>6,366,538</u>	<u>7,962,784</u>	<u>8,153,267</u>
Long-term liabilities outstanding	585,086	610,349	1,873,996	1,894,499	2,459,082	2,504,848
Other liabilities	92,321	79,129	96,581	95,244	188,902	174,373
Deferred inflows of resources	<u>28,356</u>	<u>30,715</u>	<u>13,514</u>	<u>15,950</u>	<u>41,870</u>	<u>46,665</u>
Total liabilities and deferred inflows of resources	<u>705,763</u>	<u>720,193</u>	<u>1,984,091</u>	<u>2,005,693</u>	<u>2,689,854</u>	<u>2,725,886</u>
Net Position					-	-
Net invested in capital assets	654,150	642,093	4,299,037	4,411,747	4,953,187	5,053,840
Restricted	261,182	233,076	73,581	52,417	334,763	285,493
Unrestricted	<u>101,050</u>	<u>191,367</u>	<u>(116,070)</u>	<u>(103,319)</u>	<u>(15,020)</u>	<u>88,048</u>
Total net position	<u>\$ 1,016,382</u>	<u>\$ 1,066,536</u>	<u>\$ 4,256,548</u>	<u>\$ 4,360,845</u>	<u>\$ 5,272,930</u>	<u>\$ 5,427,381</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 Ellerbe exceeded liabilities and deferred inflows by \$5,272,930 as of June 30, 2021. The Town's net position decreased by \$154,451 for the fiscal year ended June 30, 2021. The largest portion 93.9% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Additional portions of the Town of Ellerbe's net position (0.2)% reflects the unrestricted net position still outstanding that was issued to acquire those items, and restricted net position of 6.2%. The Town of Ellerbe uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ellerbe's 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.

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

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

The Town of Ellerbe Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program revenues:						
Charges for services	\$ 189,659	\$ 110,011	\$ 552,485	\$ 505,511	\$ 742,144	\$ 615,522
Operating grants and contributions	13,913	12,591	-	-	13,913	12,591
Capital grants and contributions	179,251	101,817	25,500	-	204,751	101,817
General revenues						
Property taxes	296,032	250,587	-	-	296,032	250,587
Other taxes	202,800	311,024	-	-	202,800	311,024
Grants and contributions not restricted to special programs	16,862	19,826	-	-	16,862	19,826
Other revenues	<u>41,484</u>	<u>138,172</u>	<u>5,091</u>	<u>24,570</u>	<u>46,575</u>	<u>162,742</u>
Total Revenues	<u>940,001</u>	<u>944,028</u>	<u>583,076</u>	<u>530,081</u>	<u>1,523,077</u>	<u>1,474,109</u>
Expenses:						
General government	298,340	286,032	-	-	298,340	286,032
Public safety	371,957	338,607	-	-	371,957	338,607
Transportation	183,633	185,271	-	-	183,633	185,271
Environmental protection	93,987	90,316	-	-	93,987	90,316
Culture and recreation	42,238	123,001	-	-	42,238	123,001
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>687,373</u>	<u>735,505</u>	<u>687,373</u>	<u>735,505</u>
Total expenses	<u>990,155</u>	<u>1,023,227</u>	<u>687,373</u>	<u>735,505</u>	<u>1,677,528</u>	<u>1,758,732</u>
Increase (decrease) in net position	(50,154)	(79,199)	(104,297)	(205,424)	(154,451)	(284,623)
Net position, July 1	<u>1,066,536</u>	<u>1,145,735</u>	<u>4,360,845</u>	<u>4,566,269</u>	<u>5,427,381</u>	<u>5,712,004</u>
Net position, June 30	<u>\$1,016,382</u>	<u>\$1,066,536</u>	<u>\$4,256,548</u>	<u>\$4,360,845</u>	<u>\$5,272,930</u>	<u>\$ 5,427,381</u>

Governmental activities: Governmental activities decreased the Town's net position by \$(50,154) where prior year's decrease was \$(79,199). The key element of this decrease was as follows:

- Expenditures decreased by \$33,072 and revenues decreased by \$4,027. Ad valorem taxes increased by approximately \$44,000 due to a tax rate increase in the previous year. Local option sales tax decreased by approximately \$79,000 during the year due to the county's change in the tax allocation method in the previous year. The Town also received approximately \$66,000 from the county as a contribution in regards to the change of local option sales tax allocation method. Rate increases with refuge and fire protection also caused these revenues to increase. Expenditures mainly decreased in the Town's recreation expenditures due to Covid.

Business-type activities: Business-type activities decreased the Town's net position by \$(104,297). The following changes occurred in comparison with the prior year:

- Revenues increased by \$52,995 and expenditures decreased by 96,921. Rate increases for the Water and Sewer revenues in the previous year caused these revenues to be higher than the previous year. The Town also was able to purchase less water from the county during the year.

Financial Analysis of the Town's Funds

The General Fund is the chief operating fund of the Town of Ellerbe. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$179,190, while total fund balance reached \$495,113. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.3 percent of total General Fund expenditures, while total fund balance represents 50.7 percent of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Public safety budget expenditures increased by \$180,000 during the year after the Town decided to continue law enforcement contract with Richmond County of approximately \$180,000.

Proprietary Funds. The Town of Ellerbe's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$105,488). The total decrease in net position was \$104,297.

Capital Asset and Debt Administration

Capital assets. The Town of Ellerbe's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$7,204,237 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles. There were no capital additions for the year.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land and construction in progress	\$ 191,424	\$ 191,424	\$ 1,459,727	\$ 1,459,727	\$1,651,151	\$1,651,151
Buildings and system	69,530	71,798	-	-	69,530	71,798
Machinery and equipment	75,061	88,457	30,572	36,163	105,633	124,620
Infrastructure	110,572	117,450	4,613,247	4,752,875	4,723,819	4,870,325
Vehicles and motorized equipment	<u>652,613</u>	<u>680,114</u>	<u>1,491</u>	<u>2,982</u>	<u>654,104</u>	<u>683,096</u>
Total	<u>\$1,099,200</u>	<u>\$1,149,243</u>	<u>\$ 6,105,037</u>	<u>\$ 6,251,747</u>	<u>\$7,204,237</u>	<u>\$7,400,990</u>

Long-term Debt. As of June 30, 2021, the Town of Ellerbe had bond anticipation notes of \$1,806,000 and total long-term debt of \$2,568,468.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Bond anticipation notes	\$ -	\$ -	\$ 1,806,000	\$ 1,840,000	\$1,806,000	\$1,840,000
Installment purchases	445,050	507,150	-	-	445,050	507,150
Net pension liability-LGERS	90,329	67,809	46,533	36,512	136,862	104,321
OPEB liability	102,950	89,408	53,035	48,143	155,985	137,551
Compensated absences	<u>17,714</u>	<u>16,164</u>	<u>6,857</u>	<u>7,687</u>	<u>24,571</u>	<u>23,851</u>
Totals	<u>\$ 656,043</u>	<u>\$ 680,531</u>	<u>\$ 1,912,425</u>	<u>\$ 1,932,342</u>	<u>\$2,568,468</u>	<u>\$2,612,873</u>

Town of Ellerbe's Outstanding Debt. The Town of Ellerbe's total debt increased by \$44,405 (1.7%) during the current fiscal year. The key factors in this increase was a decrease in bond anticipation notes of \$34,000, a decrease in installment purchases of \$62,100, an increase of \$32,541 in the net pension liability for the Local Government Employees Retirement System (LGERS), an increase of \$18,434 in other post employment benefits liability and an increase of \$720 in compensated absences. The bond anticipation notes were issued to support the USDA supported Water and Sewer Capital Project Fund.

Additional information on the Town's capital assets can be found in NOTE 3.A. of the Basic Financial Statements.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Ellerbe is \$2,896,756.

Additional information regarding the Town of Ellerbe's long-term debt can be found in NOTE 3.B.3 of this report.

Economic Factors and Next Year's Budgets and Rates

Impact of Coronavirus on Town

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2022, the budget decreased 22.1 percent from the prior year. Additionally, the Town received \$155,843 in American Rescue Plan Act funds in fiscal year 2022.

Business – type Activities: The water and sewer budget increased by \$50,357 from prior year.

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 Town Clerk, Town of Ellerbe, Post Office Box 310, Ellerbe, North Carolina 28338.

BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 243,920	\$ 33,778	\$ 277,698
Taxes receivables	39,977	-	39,977
Accounts receivable	7,901	61,044	68,945
Internal balances	4,206	(4,206)	-
Due from other governments	63,143	-	63,143
Inventories	-	8,597	8,597
Prepaid expense	13,499	3,230	16,729
Restricted cash and cash equivalents	<u>185,932</u>	<u>-</u>	<u>185,932</u>
Total current assets	<u>558,578</u>	<u>102,443</u>	<u>661,021</u>
Capital assets			
Land and construction in progress	191,424	1,459,727	1,651,151
Other capital assets, net of depreciation	<u>907,776</u>	<u>4,645,310</u>	<u>5,553,086</u>
Total capital assets	<u>1,099,200</u>	<u>6,105,037</u>	<u>7,204,237</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	53,990	27,813	81,803
OPEB deferrals	<u>10,377</u>	<u>5,346</u>	<u>15,723</u>
Total deferred outflows of resources	<u>64,367</u>	<u>33,159</u>	<u>97,526</u>
Total assets and deferred outflows of resources	<u>\$ 1,722,145</u>	<u>\$ 6,240,639</u>	<u>\$ 7,962,784</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 21,364	\$ 16,126	\$ 37,490
Customer deposits	-	42,026	42,026
Compensated absences	8,857	3,429	12,286
Installment notes payable - current	62,100	35,000	97,100
Total current liabilities	92,321	96,581	188,902
Noncurrent liabilities			
Net pension liability	90,329	46,533	136,862
Total OPEB liability	102,950	53,035	155,985
Compensated absences	8,857	3,428	12,285
Installment notes payable	382,950	1,771,000	2,153,950
Total noncurrent liabilities	585,086	1,873,996	2,459,082
Total liabilities	677,407	1,970,577	2,647,984
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2,124	-	2,124
OPEB deferral	26,232	13,514	39,746
Total deferred inflows of resources	28,356	13,514	41,870
Total liabilities and deferred inflows of resources	\$ 705,763	\$ 1,984,091	\$ 2,689,854
NET POSITION			
Net investment in capital assets	654,150	4,299,037	4,953,187
Restricted for:			
Stabilization by state statute	75,250	-	75,250
Other functions	185,932	-	185,932
Debt service reserve - USDA	-	64,933	64,933
Short lived asset replacement reserve - USDA	-	8,648	8,648
Unrestricted	101,050	(116,070)	(15,020)
Total net position	\$ 1,016,382	\$ 4,256,548	\$ 5,272,930

TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants and	Capital Grants and	Governmental	Business-type	Total
		Services	Contributions	Contributions	Activities	Activities	
Primary government							
Governmental activities							
General government	\$ 298,340	\$ 9,490	\$ -	\$ -	\$ (288,850)	\$ -	\$ (288,850)
Public safety	371,957	90,021	13,913	144,897	(123,126)	-	(123,126)
Transportation	183,633	-	-	34,354	(149,279)	-	(149,279)
Environmental protection	93,987	76,558	-	-	(17,429)	-	(17,429)
Cultural and recreational	42,238	13,590	-	-	(28,648)	-	(28,648)
Total governmental activities	<u>990,155</u>	<u>189,659</u>	<u>13,913</u>	<u>179,251</u>	<u>(607,332)</u>	<u>-</u>	<u>(607,332)</u>
Business-type activities							
Water and sewer	<u>687,373</u>	<u>552,485</u>	<u>-</u>	<u>25,500</u>	<u>-</u>	<u>(109,388)</u>	<u>(109,388)</u>
Total business-type activities	<u>687,373</u>	<u>552,485</u>	<u>-</u>	<u>25,500</u>	<u>-</u>	<u>(109,388)</u>	<u>(109,388)</u>
Total primary government	<u>\$ 1,677,528</u>	<u>\$ 742,144</u>	<u>\$ 13,913</u>	<u>\$ 204,751</u>	<u>\$ (607,332)</u>	<u>\$ (109,388)</u>	<u>\$ (716,720)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					296,032	-	296,032
Other taxes					202,800	-	202,800
Grants and contributions, not restricted to specific programs					16,862	-	16,862
Unrestricted investment earnings					408	-	408
Miscellaneous					<u>41,076</u>	<u>5,091</u>	<u>46,167</u>
Total general revenues					<u>557,178</u>	<u>5,091</u>	<u>562,269</u>
Change in net position					<u>(50,154)</u>	<u>(104,297)</u>	<u>(154,451)</u>
Net position, beginning					1,066,536	4,360,845	5,427,381
Net position, ending					<u>\$ 1,016,382</u>	<u>\$ 4,256,548</u>	<u>\$ 5,272,930</u>

TOWN OF ELLERBE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 20211

Exhibit 3

	General
ASSETS	
Cash and cash equivalents	\$ 243,920
Restricted cash	185,932
Receivables, net	
Taxes	39,977
Accounts	7,901
Due from other funds	4,206
Due from other governments	63,143
Prepaid expense	13,499
Total assets	<u>\$ 558,578</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accrued liabilities	21,364
Total liabilities	<u>\$ 21,364</u>
DEFERRED INFLOWS OF RESOURCES	
Tax receivable	39,977
Prepaid taxes	2,124
Total deferred inflows of resources	<u>\$ 42,101</u>
Fund balances	
Restricted	
Stabilization by state statute	75,250
Streets - Powell Bill	185,932
Assigned	
Subsequent year's expenditures	54,741
Unassigned	179,190
Total fund balances	<u>\$ 495,113</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 558,578</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	\$ 495,113
Amounts reported for governmental activities in the statement of net position are different because	
capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,099,200
Compensated absences not expected to be materially liquidated with expendable available resources	(17,714)
Liabilities for earned but deferred revenues in fund statements	39,977
Pension related deferrals-outflows	53,990
OPEB related deferrals-outflows	10,377
Net pension liability	(90,329)
Total OPEB liability	(102,950)
OPEBrelated deferrals-inflows	(26,232)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(445,050)
Net position of governmental activities	<u>\$ 1,016,382</u>

TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2021

Exhibit 4

	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 295,305
Unrestricted intergovernmental	219,662
Restricted intergovernmental	193,164
Sales and services	189,659
Investment earnings	408
Miscellaneous	<u>41,076</u>
Total revenues	<u>939,274</u>
EXPENDITURES	
Current	
General government	267,890
Public safety	343,564
Transportation	170,554
Environmental protection	92,987
Cultural and recreational	39,970
Debt service	
Principal payments	<u>62,100</u>
Total expenditures	<u>977,065</u>
Net change in fund balance	<u>(37,791)</u>
Fund balance, beginning	<u>532,904</u>
Fund balances, ending	<u><u>\$ 495,113</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ (37,791)
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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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal

Capital outlay	-
Depreciation	(50,043)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

Pension deferrals	19,170
OPEB deferrals	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Change in deferred revenue for tax revenues	727
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	(1,550)
OPEB expense	(9,048)
Pension expense	(33,719)

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.

Principal payments on long-term debt	62,100	<u>62,100</u>
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Total change in net position of governmental activities	<u>\$ (50,154)</u>
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TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021

Exhibit 6

	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 200,000	\$ 200,000	\$ 295,305	\$ 95,305
Unrestricted intergovernmental	188,000	188,000	219,662	31,662
Restricted intergovernmental	95,000	95,000	193,164	98,164
Sales and services	120,000	120,000	189,659	69,659
Investment earnings	600	600	408	(192)
Miscellaneous	25,600	25,600	41,076	15,476
Total revenues	629,200	629,200	939,274	310,074
EXPENDITURES				
Current				
General government	266,006	306,006	267,890	38,116
Public safety	182,752	362,752	343,564	19,188
Transportation	191,612	191,612	170,554	21,058
Environmental protection	88,278	88,278	92,987	(4,709)
Cultural and recreational	31,883	48,883	39,970	8,913
Debt service				
Principal payments	62,100	62,100	62,100	-
Total expenditures	822,631	1,059,631	977,065	82,566
Revenues over (under) expenditures	(193,431)	(430,431)	(37,791)	392,640
Other financing sources				
Fund balance appropriated	193,431	430,431	-	(430,431)
Total other financing sources	193,431	430,431	-	(430,431)
Net change in fund balance	\$ -	\$ -	(37,791)	\$ (37,791)
Fund balance, beginning			532,904	
Fund balance, ending			\$ 495,113	

TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

Exhibit 7

	Water Fund	Sewer Fund	Total Enterprise Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 28,562	\$ 5,216	\$ 33,778
Accounts receivable	30,060	30,984	61,044
Prepaid expense	1,615	1,615	3,230
Internal balances	24,452	(24,452)	-
Inventories	8,597	-	8,597
Total current assets	<u>93,286</u>	<u>13,363</u>	<u>106,649</u>
Capital assets			
Land and construction in progress	2,186	1,457,541	1,459,727
Other capital assets, net of depreciation	80,890	4,564,420	4,645,310
Total capital assets, net	<u>83,076</u>	<u>6,021,961</u>	<u>6,105,037</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	13,088	14,725	27,813
OPEB deferrals	2,516	2,830	5,346
Total deferred outflows of resources	<u>15,604</u>	<u>17,555</u>	<u>33,159</u>
Total assets and deferred outflows of resources	<u>\$ 191,966</u>	<u>\$ 6,052,879</u>	<u>\$ 6,244,845</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 7,253	\$ 8,873	\$ 16,126
Customer deposits	42,026	-	42,026
Compensated absences-current	395	3,034	3,429
Due to other funds	1,977	2,229	4,206
Debt-current	-	35,000	35,000
Total current liabilities	<u>51,651</u>	<u>49,136</u>	<u>100,787</u>
Net pension liability	21,898	24,635	46,533
OPEB liability	24,958	28,077	53,035
Compensated absences-noncurrent	395	3,033	3,428
Debt-noncurrent	-	1,771,000	1,771,000
Total noncurrent liabilities	<u>47,251</u>	<u>1,826,745</u>	<u>1,873,996</u>
Total liabilities	<u>98,902</u>	<u>1,875,881</u>	<u>1,974,783</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferral	6,359	7,155	13,514
Total deferred inflows of resources	<u>6,359</u>	<u>7,155</u>	<u>13,514</u>
NET POSITION			
Net investment in capital assets	83,076	4,215,961	4,299,037
Debt service reserve - USDA	-	64,933	64,933
Short lived asset replacement reserve - USDA	-	8,648	8,648
Unrestricted	3,629	(119,699)	(116,070)
Total net position	<u>86,705</u>	<u>4,169,843</u>	<u>4,256,548</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 191,966</u>	<u>\$ 6,052,879</u>	<u>\$ 6,244,845</u>

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

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TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 8

	Water Fund	Sewer Fund	Total Enterprise Fund
OPERATING REVENUES			
Charges for services	\$ 242,951	\$ 259,178	\$ 502,129
Water and sewer taps	3,366	-	3,366
Other operating revenues	<u>26,957</u>	<u>20,033</u>	<u>46,990</u>
Total operating revenues	<u>273,274</u>	<u>279,211</u>	<u>552,485</u>
OPERATING EXPENSES			
Water and sewer operations	205,579	284,484	490,063
Depreciation	<u>12,898</u>	<u>133,812</u>	<u>146,710</u>
Total operating expenses	<u>218,477</u>	<u>418,296</u>	<u>636,773</u>
Operating (Loss) Gain	54,797	(139,085)	(84,288)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	-	(50,600)	(50,600)
Capital grants	25,500	-	25,500
Miscellaneous revenue	<u>-</u>	<u>5,091</u>	<u>5,091</u>
Total nonoperating revenues (expenses)	<u>25,500</u>	<u>(45,509)</u>	<u>(20,009)</u>
Other financing sources			
Transfer from (to) Enterprise funds	<u>(24,452)</u>	<u>24,452</u>	<u>-</u>
Total other financing sources	<u>(24,452)</u>	<u>24,452</u>	<u>-</u>
Change in net position	<u>55,845</u>	<u>(160,142)</u>	<u>(104,297)</u>
Total net position, beginning	<u>30,860</u>	<u>4,329,985</u>	<u>4,360,845</u>
Total net position, ending	<u>\$ 86,705</u>	<u>\$ 4,169,843</u>	<u>\$ 4,256,548</u>

TOWN OF ELLERBE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

Exhibit 9

	Water Fund	Sewer Fund	Total Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 245,230	\$ 259,090	\$ 504,320
Cash paid for goods and services	(110,840)	(199,467)	(310,307)
Cash paid to or on behalf of employees for services	(119,229)	(48,357)	(167,586)
Other operating revenues	26,957	20,033	46,990
Net cash (used) provided by operating activities	42,118	31,299	73,417
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in due to other funds	(24,452)	24,452	-
Transfer from General fund	1,977	2,229	4,206
Transfer (to) from other funds	(24,452)	24,452	-
Net cash (used) provided noncapital financing activities	(46,927)	51,133	4,206
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Capital contributions	25,500	-	25,500
Interest expense	-	(50,600)	(50,600)
Principal retirement	-	(34,000)	(34,000)
Net cash (used) by capital and related financing activities	25,500	(84,600)	(59,100)
Net (decrease) increase in cash and cash equivalents	20,691	(2,168)	18,523
Balances, beginning	7,871	7,384	15,255
Balances, ending	\$ 28,562	\$ 5,216	\$ 33,778
Reconciliation of operating income to net cash provided by operating activities			
Operating (Loss)	\$ 54,797	\$ (139,085)	\$ (84,288)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	12,898	133,812	146,710
Other income	-	5,091	5,091
Changes in assets and liabilities:			
(Increase) Decrease in accounts receivable	(1,087)	(88)	(1,175)
(Increase) Decrease in prepaid expense	613	(507)	106
(Increase) Decrease in inventory	(2,039)	-	(2,039)
Increase (Decrease) in accounts payable and accrued liabilities	10	(1,894)	(1,884)
Increase (Decrease) in customer deposits	2,635	-	2,635
Increase (Decrease) in Compensated absences	(6,655)	5,825	(830)
(Increase) Decrease in deferred outflows of resources for pensions	7,325	(9,622)	(2,297)
(Increase) Decrease in deferred outflows of resources for OPEB	890	(1,979)	(1,089)
Increase (Decrease) in net pension liabilities	(7,312)	17,333	10,021
Increase (Decrease) in OPEB liability	(13,556)	18,448	4,892
Increase (Decrease) in deferred inflows of resources for OPEB	(6,401)	3,965	(2,436)
Total adjustments	(12,679)	170,384	148,614
Net cash (used) provided by operating activities	\$ 42,118	\$ 31,299	\$ 73,417

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ellerbe, North Carolina 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 Ellerbe, North Carolina, is a municipal corporation which is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. 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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

Sewer Fund. This fund is used to account for the Town's 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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 receivables are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Richmond County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Ellerbe. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Richmond County from March 2020 through February 2021 apply to the fiscal year ended June 30, 2021. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable GASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing council. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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

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.

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.

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories

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 or sale. The cost of these inventories is expensed when consumed or sold rather than when purchased.

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: buildings, improvements, substations, lines, and other plant and distribution systems, \$50,000; infrastructure, \$10,000; and furniture and equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. 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>
Buildings	40
Equipment	10
Vehicles and motorized equipment	5-10
Infrastructure	30

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, pension deferrals in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, prepaid license fees, property taxes receivable and a note receivable and pension deferrals and OPEB deferrals.

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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for 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. The Town has no obligation for the accumulated sick leave until it is actually taken; no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. 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 non-spendable. 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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Subsequent year's expenditures – The portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The Governing body approves the appropriation.

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

Pensions

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Other

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's Water Fund exceeded the authorized appropriations made by the governing board for general government activities by \$24,452. This over-expenditure occurred because of unplanned transfer from the Water Fund to the Sewer Fund and the Council will more closely review the budget reports to ensure compliance in future years.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

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 agent in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for noninterest 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, 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 \$463,430 and a bank balance of \$486,080. 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 \$200.

Due from Other Governmental Agencies

At June 30, 2021, funds due from other governmental agencies consisted of the following:

	<u>Governmental Activities</u>
	<u>General</u>
Local option sales tax	\$ 19,146
Hold harmless	6,220
Sales tax refund	14,469
Video programming	1,548
Franchise tax	9,265
Telecommunication tax	2,427
Solid waste	190
Gas tax	2,393
Property taxes on vehicles collected by County	7,485
Total	<u>\$ 63,143</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets

Primary Government

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

Governmental activities	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 191,424	-	-	\$ 191,424
Capital assets being depreciated				
Buildings	134,358	-	-	134,358
Equipment	589,883	-	-	589,883
Vehicles and motorized equipment	1,300,946	-	-	1,300,946
Infrastructure	<u>461,629</u>	-	-	<u>461,629</u>
Total capital assets being depreciated	<u>2,486,816</u>	-	-	<u>2,486,816</u>
Less accumulated depreciation for				
Buildings	62,560	2,268	-	64,828
Equipment	501,426	13,396	-	514,822
Vehicles and motorized equipment	620,832	27,501	-	648,333
Infrastructure	<u>344,179</u>	<u>6,878</u>	-	<u>351,057</u>
Total accumulated depreciation	<u>1,528,997</u>	<u>50,043</u>	-	<u>1,579,040</u>
Total capital assets being depreciated, net	<u>957,819</u>			<u>907,776</u>
Governmental activity capital assets, net	<u>\$ 1,149,243</u>			<u>\$ 1,099,200</u>

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

General government	\$ 5,303
Public safety	28,393
Transportation	13,079
Environmental protection	1,000
Cultural and recreational	<u>2,268</u>
Total depreciation expense	<u>\$ 50,043</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

Business-Type activities

	Beginning Balances	Increases	Decreases	Ending Balances
Water activities				
Capital assets not being depreciated				
Land	\$ 2,186	\$ -	\$ -	\$ 2,186
Capital assets being depreciated				
Plant and distribution system	356,457	-	-	356,457
Furniture and maintenance equipment	86,055	-	-	86,055
Vehicles	34,562	-	-	34,562
Total capital assets being depreciated	477,074	-	-	477,074
Less accumulated depreciation for			-	
Plant and distribution system	285,415	8,583	-	293,998
Furniture and maintenance equipment	66,291	2,824	-	69,115
Vehicles	31,580	1,491	-	33,071
Total accumulated depreciation	383,286	12,898	-	396,184
Total capital assets being depreciated, net	93,788			80,890
Water activity capital assets, net	\$ 95,974			\$ 83,076
Sewer activities				
Capital assets not being depreciated				
Land	\$ 1,457,541	\$ -	\$ -	\$ 1,457,541
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,457,541	-	-	1,457,541
Capital assets being depreciated				
Buildings	455,326	-	-	455,326
Plant and distribution system	5,280,477	-	-	5,280,477
Furniture and maintenance equipment	61,445	-	-	61,445
Total capital assets being depreciated	5,797,248	-	-	5,797,248
Less accumulated depreciation for				
Buildings	455,326	-	-	455,326
Plant and distribution system	598,644	131,045	-	729,689
Furniture and maintenance equipment	45,046	2,767	-	47,813
Total accumulated depreciation	1,099,016	133,812	-	1,232,828
Total capital assets being depreciated, net	4,698,232			4,564,420
Sewer activity capital assets, net	\$ 6,155,773			\$ 6,021,961
Business-type activities capital assets, net				\$ 6,105,037

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Ellerbe 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 Ellerbe 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 Ellerbe's contractually required contribution rate for the year ended June 30, 2021, was 10.15% of compensation 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 Ellerbe were \$29,045 for the year ended June 30, 2021.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - 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 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 \$136,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.00383%, which was an increase of 0.00001% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$50,066. 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	\$ 17,283	\$ -
Changes of assumptions	10,185	-
Net difference between projected and actual earnings on pension plan investments	19,259	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,031	-
City contributions subsequent to the measurement date	29,045	-
Total	\$ 81,803	\$ -

\$29,045 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2022.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Year ended June 30:

2022	\$	15,413
2023		19,605
2024		12,041
2025		5,700
2026		-
Thereafter		-
	\$	<u>52,759</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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, 2015 through December 31, 2019.

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.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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%	

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 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.0 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 (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability (asset)	\$ 277,679	\$ 136,862	\$ 19,834

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

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General
	Employees:
Retirees and dependents receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	<u>8</u>

Total OPEB Liability

The Town's total OPEB liability of \$155,985 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, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Medical – 7.0%
	Prescription – 7.0%
	Admin Expenses – 3.00%

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Other Postemployment Benefits (Continued)

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1	137,551
Changes for the year	
Service cost	8,893
Interest	5,126
Changes of benefit terms	-
Differences between expected and actual experience	(2,865)
Changes in assumptions or other inputs	7,280
Benefit payments	-
Net changes	<u>18,434</u>
Balance at June 30	155,985

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1.21% Decrease</u>	<u>Discount Rate 2.21%</u>	<u>3.21% Increase</u>
Total OPEB Liability	\$ 161,638	\$ 155,985	\$ 150,333

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 healthcare cost trend rates:

	<u>(Medical-6.0% Prescription-6.0% Admin Expenses-2.00%)</u>	<u>Discount Rate (Medical- 7.0%, Prescription-7.0% Admin Expenses 3.00%)</u>	<u>(Medical-8.0% Prescription-8.0% Admin Expenses-4.00%)</u>
Total OPEB Liability	\$ 145,199	\$ 155,985	\$ 168,316

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

b. Other Postemployment Benefits (continued)

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 \$9,048. 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	\$ 7,629	\$ 34,966
Changes in assumptions	8,094	4,780
Benefit payments and administrative costs made Subsequent to the measurement date	-	-
Total	\$ 15,723	\$ 39,746

There were no deferred outflows of resources reported related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability 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:	
2022	\$ (4,971)
2023	(4,971)
2024	(4,971)
2025	(5,765)
2026	(3,782)
Thereafter	437
Total	\$ 24,023

c. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Ellerbe, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighters' and Rescue Squad Workers' Pension Fund 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 the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

c. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,652,000 to the plan. The Town of Ellerbe's proportionate share of the State's contribution is \$13,913.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2021, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$26,991. 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$10,805 and revenue of \$10,805 for support provided by the State. At June 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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	Not applicable
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

c. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. 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.

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.

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 insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$3 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not carry flood insurance as none of their buildings are located in flood prone areas.

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 and 30,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations

	Serviced by Governmental Activities	Serviced by Business-type Activities
The Town entered into a USDA loan, October 21, 2013 with annual installments of varying amounts over 40 years with interest of 2.75%.	\$ -	\$ 1,620,000
The Town entered into a USDA loan, April 24, 2020 with annual installments of varying amounts over 40 years with interest of 2.75%.	-	186,000
The Town entered into a loan with Pee Dee Membership Corp August 2020 with monthly installment of \$5,175 with no interest, for the purchase of a Fire Truck.	445,050	-
	445,050	1,806,000
Less current portion	62,100	35,000
	\$ 382,950	\$ 1,771,000
Governmental activities	<u>Principal</u>	
2022	\$ 62,100	
2023	62,100	
2024	62,100	
2025	62,100	
2026	62,100	
Thereafter	134,550	
	<u>\$ 445,050</u>	
Business-type activities	<u>Principal</u>	<u>Interest</u>
2022	\$ 35,000	\$ 49,665
2023	36,000	48,703
2024	37,000	47,713
2025	38,000	46,695
2026	40,000	45,650
2027-2030	215,000	211,200
Thereafter	1,405,000	494,256
	<u>\$ 1,806,000</u>	<u>\$ 943,882</u>

The Town is in compliance with the covenants as to rates and charges in Section 7.08 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2013. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2021 is as follows:

Operating revenues	\$ 552,485
Operating expenses*	490,063
Operating Income	62,422
Nonoperating revenues (expenses)**	30,591
Income available for debt service	93,013
Debt service, principal and interest paid (Revenue bond only)	84,600
Debt service coverage ratio	1.10%

*Per rate covenants, this does not include the depreciation expense of \$146,710.

**Per rate covenants, this does not include revenue bond interest paid of \$50,600.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations (Continued)

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$1,997,000 in water and sewer system revenue bonds issued in 2013. Proceeds from the bonds provided financing for major improvements to the water and sewer plant. The bonds are payable solely from water and sewer customer net revenues and are payable through 2057. Annual principal and interest payments on the bonds are expected to require less than 6% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,749,882. Principal and interest paid for the current year and total customer net revenues were \$84,600 and \$552,485, respectively.

At June 30, 2021, the Town of Ellerbe had a legal debt margin of \$2,896,756.

Changes in long-term liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2021:

	Balances July 1, 2020	Increases	Decreases	Balances June 30, 2021	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 507,150	\$ -	\$ 62,100	\$ 445,050	\$ 62,100
Net pension liability	67,809	22,520	-	90,329	-
Total OPEB liability	89,408	13,542	-	102,950	-
Compensated absences	16,164	3,054	1,504	17,714	8,857
Governmental activity long-term liabilities	<u>\$ 680,531</u>	<u>\$ 39,116</u>	<u>\$ 63,604</u>	<u>\$ 656,043</u>	<u>\$ 70,957</u>
Business-type activities:					
USDA revenue bond	1,840,000	-	34,000	1,806,000	35,000
Net pension liability	36,512	10,021	-	46,533	-
Total OPEB liability	48,143	4,892	-	53,035	-
Compensated absences	7,687	825	1,655	6,857	3,429
Business-type activity long-term liabilities	<u>\$ 1,932,342</u>	<u>\$ 15,738</u>	<u>\$ 35,655</u>	<u>\$ 1,912,425</u>	<u>\$ 38,429</u>

4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources at year end are comprised on the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Pension deferrals	\$ 53,990	\$ -
OPEB deferrals	10,377	26,232
Prepaid taxes	-	2,124
Business-Type Activities		
Pension deferrals	27,813	-
OPEB deferrals	5,346	13,514
Total	<u>\$ 97,526</u>	<u>\$ 41,180</u>
Balance Sheet – Governmental Fund		
Property tax receivable	\$ -	\$ 39,977
Prepaid taxes	-	2,124
Total	<u>\$ -</u>	<u>\$ 42,101</u>

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2021, the Town of Ellerbe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$13,913 for the 30 volunteer firefighters who perform firefighting duties for the town's fire department. The volunteers elected to be members of the Firefighter 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.

NOTE 4 - JOINTLY GOVERNED ORGANIZATION

The Town participates in a joint venture to operate a regional library with Richmond County and two other municipalities. Each participating government appoints board members to the ten-member board of the Library, with the Town appointing one member. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance, with the intergovernmental agreement between the participating governments, the Town appropriated \$ 6,580 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 412 East Franklin Street, Rockingham, NC 28379.

NOTE 5 - 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 monies 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 monies.

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

TOWN OF ELLERBE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 6 – FUND BALANCE

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

Total fund balance – General Fund	\$ 495,113
Less:	
Stabilization by state statute	75,250
Streets – Powell Bill	185,932
Appropriated fund balance in subsequent year's budget	<u>54,741</u>
Remaining fund balance	<u>\$ 179,190</u>

NOTE 7 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARPA") was signed into law. The law appropriates \$1.9 trillion of federal funding for COVID-19 relief and economic recovery including provisions directly benefiting state and local governments. North Carolina is expecting to receive over \$8.6 billion for state and local government relief, \$3.2 billion of which is to be distributed to local governments via federal formulas. ARPA funds are restricted to use within broad categories outlined in the Act, though within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. State and local governments must obligate ARPA funds by December 31, 2024, and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received ARPA allocations of \$155,843. The Town is currently collaborating on a plan to utilize the funds received.

Required Supplemental Financial Data

This section contains additional information required by the Governmental Accounting Standards Board.

- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan
- Schedule of Changes in the Total OPEB Liability

TOWN OF ELLERBE, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven 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>
Ellerbe's proportion of the net pension liability (asset) (%)	0.00383%	0.00382%	0.00332%	0.00355%	0.00371%	0.00336%	-0.28800%
Ellerbe's proportion of the net pension liability (asset) (\$)	\$ 136,862	\$ 104,321	\$ 78,762	\$ 54,234	\$ 78,739	\$ 15,079	\$ (16,985)
Ellerbe's covered payroll	\$ 308,438	\$ 286,050	\$ 265,898	\$ 254,972	\$ 312,120	\$ 287,487	\$ 279,693
Ellerbe's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.37%	36.47%	29.62%	21.27%	25.23%	5.25%	(6.07%)
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

* 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 Ellerbe, NORTH CAROLINA
Town of Ellerbe's Contributions
Required Supplementary Information
Last Seven 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	\$ 29,045	\$ 27,605	\$ 22,169	\$ 19,943	\$ 18,485	\$ 20,290	\$ 18,982
Contributions in relation to the contractually required contribution	<u>29,045</u>	<u>27,605</u>	<u>22,169</u>	<u>19,943</u>	<u>18,485</u>	<u>20,290</u>	<u>18,982</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ellerbe's covered payroll	\$ 289,579	\$ 308,438	\$ 286,050	\$ 265,898	\$ 254,972	\$ 312,120	\$ 287,487
Contributions as a percentage of covered payroll	10.03%	8.95%	7.75%	7.50%	7.25%	6.50%	6.60%

Town of Ellerbe, NORTH CAROLINA
Town of Ellerbe's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last six Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ellerbe's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Ellerbe's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town	<u>26,991</u>	<u>24,962</u>	<u>34,519</u>	<u>29,716</u>	<u>21,228</u>	<u>21,073</u>
Total	<u>\$ 26,991</u>	<u>\$ 24,962</u>	<u>\$ 34,519</u>	<u>\$ 29,716</u>	<u>\$ 21,228</u>	<u>\$ 21,073</u>
Ellerbe's covered payroll	\$ 22,900	\$ 22,900	\$ 22,900	\$ 22,900	\$ 22,300	\$ 22,000
Ellerbe's proportionate share of the net pension liability as a percentage of its covered payroll	117.86%	109.00%	150.74%	129.76%	95.19%	95.79%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%

* The amounts presented for the fiscal year ending June 30, 2021 were determined as of June 30, 2018.

TOWN OF ELLERBE, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021, 2020, 2019 and 2018

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	8,893	8,384	8,591	9,154
Interest	5,126	6,475	5,546	4,286
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,865)	(46,493)	1,303	15,021
Changes of assumptions	7,280	2,725	(3,540)	(5,879)
Benefit payments	-	-	(2,422)	(15,862)
Net change in total OPEB liability	<u>18,434</u>	<u>(28,909)</u>	<u>9,478</u>	<u>6,720</u>
Total OPEB liability - beginning	<u>137,551</u>	<u>166,460</u>	<u>156,982</u>	<u>150,262</u>
Total OPEB liability - ending	<u>155,985</u>	<u>137,551</u>	<u>166,460</u>	<u>156,982</u>
 Covered payroll	 289,579	 308,438	 286,050	 265,898
Total OPEB liability as a percentage of covered payroll	53.87%	44.60%	58.19%	59.04%

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	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

INDIVIDUAL FUND
FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUND

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 277,705	\$ -
Prior years	-	13,123	-
Penalties and interest	-	4,477	-
Total	200,000	295,305	95,305
Unrestricted intergovernmental revenues			
Local option sales tax	-	103,550	-
Hold harmless	-	34,076	-
Utility franchise tax	-	42,283	-
Telecommunications tax	-	12,951	-
Video franchise fee	-	6,370	-
Beer and wine tax	-	2,803	-
Solid waste	-	767	-
Tax refunds	-	16,862	-
Total	188,000	219,662	31,662
Restricted intergovernmental revenue			
Powell Bill allocation	-	34,354	-
Federal grants	-	41,139	-
State grants	-	22,097	-
County contributions	-	81,661	-
On-behalf of payments - Fire and Rescue	-	13,913	-
Total	95,000	193,164	98,164
Sales and services			
Refuse collection fees	-	76,558	-
Cemetery lots	-	9,490	-
Recreation department fees	-	13,590	-
Fire protection fee	-	90,021	-
Total	120,000	189,659	69,659
Investment earnings	600	408	(192)
Miscellaneous	25,600	41,076	15,476
Total revenues	629,200	939,274	310,074

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

Exhibit A-1
Page 2 of 4

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures			
General government			
Governing body			
Salaries and employee benefits	-	20,453	-
Operating expenditures	-	612	-
Total	23,000	21,065	1,935
Administration			
Salaries and employee benefits	-	99,522	-
Operating expenditures	-	126,803	-
Total	248,656	226,325	22,331
Cemetery			
Operating expenditures	10,000	4,668	5,332
Maintenance shop			
Operating expenditures	11,750	7,119	4,631
Beautification			
Operating expenditures	2,000	1,108	892
Zoning			
Contract labor	10,600	7,605	2,995
Total general government	306,006	267,890	38,116
Public safety			
Police department			
Contractual services	180,000	174,562	5,438
Fire department			
Salaries and employee benefits	-	39,975	-
Operating expenditures	-	124,027	-
Total	165,752	164,002	1,750

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

Exhibit A-1
Page 3 of 4

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures <i>(continued)</i>			
Rescue squad			
Contribution to rescue squad	5,000	5,000	-
Total public safety	350,752	343,564	7,188
Transportation			
Street department			
Salaries and employee benefits	-	95,690	-
Operating expenditures	-	54,525	-
Total	153,612	150,215	3,397
Powell Bill			
Operating expenditures	-	20,339	-
Total	38,000	20,339	17,661
Total transportation	191,612	170,554	21,058
Environmental Protection			
Sanitation			
Salaries and employee benefits	-	67,768	-
Operating expenditures	-	25,219	-
Total environmental protection	93,278	92,987	291
Cultural and recreational			
Library			
Contribution to Kemp Memorial Library	-	6,580	-
Total	6,600	6,580	20
Museum			
Operating expenditures	-	1,800	-
Total	1,900	1,800	100

TOWN OF ELLERBE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

Exhibit A-1
Page 4 of 4

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures <i>(continued)</i>			
Recreation			
Salaries and employee benefits	-	-	-
Operating expenditures	-	27,082	-
Total	31,883	27,082	4,801
Rest Area			
Operating expenditures	-	4,508	-
Total	15,500	4,508	10,992
Total cultural and recreational	55,883	39,970	15,913
Debt			
Principal payments	-	62,100	-
Total debt	62,100	62,100	-
Total expenditures	1,059,631	977,065	82,566
Revenues over (under) expenditures	(430,431)	(37,791)	(468,222)
Other financing sources			
Fund balance appropriated	430,431	-	430,431
Total other financing sources	430,431	-	430,431
Net change in fund balance	\$ -	\$ (37,791)	\$ (37,791)
Fund balance, beginning		532,904	
Fund balance, ending		\$ 495,113	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and sewer charges	\$ 261,495	\$ 242,951	\$ (18,544)
Water and sewer taps and reconnection	2,500	3,366	866
Total	<u>263,995</u>	<u>246,317</u>	<u>(17,678)</u>
Other operating revenues	-	26,957	26,957
Total operating revenues	<u>263,995</u>	<u>273,274</u>	<u>9,279</u>
Non-operating revenues			
Grant revenue	-	25,500	25,500
Total non-operating revenues	-	<u>25,500</u>	<u>25,500</u>
Total revenues	<u>263,995</u>	<u>298,774</u>	<u>34,779</u>
Operating expenses			
Salaries and employee benefits	-	93,520	-
Contracted services	-	1,723	-
Water and sewer purchased from County	-	73,771	-
Operating expenses	-	<u>62,274</u>	-
Total expenditures	<u>272,052</u>	<u>231,288</u>	<u>40,764</u>
Revenues over (under) expenditures	(8,057)	67,486	75,543
Other financing sources			
Transfer (to) Sewer fund	-	(24,452)	(24,452)
Fund balance appropriated	8,057	-	(8,057)
Total other financing sources	<u>8,057</u>	<u>(24,452)</u>	<u>(32,509)</u>
Revenues, other financing sources and Fund balance appropriated over expenditures	<u>\$ -</u>	<u>\$ 43,034</u>	<u>\$ 43,034</u>

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

Revenues, other financing sources and	
Fund balance appropriated over expenditures (prior page)	\$ 43,034
Reconciling items	
Depreciation	(12,898)
Decrease in compensated absences	6,655
Increase (Decrease) in deferred outflows of resources for pensions	(7,325)
Increase (Decrease) in deferred outflows of resources for OPEB	(890)
(Increase) Decrease in net pension liabilities	7,312
(Increase) Decrease in OPEB liability	13,556
(Increase) Decrease in deferred inflows of resources for OPEB	<u>6,401</u>
Total	<u>12,811</u>
Change in net position	<u>\$ 55,845</u>

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and sewer charges	\$ -	\$ 259,178	\$ -
Water and sewer taps and reconnection	-	-	-
Total	<u>272,094</u>	<u>259,178</u>	<u>(12,916)</u>
Other operating revenues	<u>15,000</u>	<u>20,033</u>	<u>5,033</u>
Total operating revenues	<u>287,094</u>	<u>279,211</u>	<u>(7,883)</u>
Nonoperating revenues (expenses)			
Miscellaneous revenue	<u>250</u>	<u>5,091</u>	<u>4,841</u>
	<u>250</u>	<u>5,091</u>	<u>4,841</u>
Total revenues	<u>287,344</u>	<u>284,302</u>	<u>(3,042)</u>
Operating expenses			
Salaries and employee benefits	-	82,327	-
Contract services	-	11,500	-
Water and sewer purchased from County	-	91,899	-
Operating expenses	-	64,789	-
Debt service			
Principal	-	34,000	-
Interest	-	50,600	-
Total expenditures	<u>367,463</u>	<u>335,115</u>	<u>32,348</u>
Revenues over (under) expenditures	(80,119)	(50,813)	29,306
Other financing sources			
Transfer from Water fund	-	24,452	24,452
Fund balance appropriated	<u>80,119</u>	<u>-</u>	<u>(80,119)</u>
Total other financing sources	<u>80,119</u>	<u>24,452</u>	<u>(55,667)</u>
Revenues, other financing sources and Fund balance appropriated over expenditures	<u>\$ -</u>	<u>\$ (26,361)</u>	<u>\$ (26,361)</u>

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2021

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

Revenues, other financing sources and	
Fund balance appropriated over expenditures (prior page)	\$ (26,361)
Reconciling items	
Principal retirement	34,000
Depreciation	(133,812)
(Increase) in compensated absences	(5,824)
Increase (Decrease) in deferred outflows of resources for pensions	9,622
Increase (Decrease) in deferred outflows of resources for OPEB	1,979
(Increase) Decrease in net pension liabilities	(17,333)
(Increase) Decrease in OPEB liability	(18,448)
(Increase) Decrease in deferred inflows of resources for pensions	-
(Increase) Decrease in deferred inflows of resources for OPEB	<u>(3,965)</u>
Total	<u>(133,781)</u>
Change in net position	<u>\$ (160,142)</u>

Other Schedules

This section includes additional information on property taxes.

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

TOWN OF ELLERBE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2021</u>
2020-2021	\$ -	\$ 292,408	\$ 277,705	14,703
2019-2020	14,853	-	5,778	9,075
2018-2019	9,551	-	2,713	6,838
2017-2018	7,557	-	2,132	5,425
2016-2017	6,153	-	1,943	4,210
2015-2016	2,715	-	228	2,487
2014-2015	1,553	-	39	1,514
2013-2014	1,626	-	194	1,432
2012-2013	1,274	-	96	1,178
2011-2012	1,115	-	-	1,115
2010-2011	853	-	853	-
	<u>\$ 47,250</u>	<u>\$ 292,408</u>	<u>\$ 291,681</u>	47,977
Plus: Uncollected 2020-2021 ad valorem taxes receivable on annually registered vehicles				<u>(8,000)</u>
Ad valorem taxes receivable - net				<u>\$ 39,977</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 295,305
Adjustments				1,706
Amounts written off per statute of limitations				<u>(853)</u>
Subtotal				296,158
Less interest collected				<u>(4,477)</u>
Total collections and credits				<u>\$ 291,681</u>

TOWN OF ELLERBE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2021

Exhibit C-2

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 42,016,429	\$.70	\$ 294,115	\$ 255,637	\$ 38,478
Total	<u>42,016,429</u>		<u>294,115</u>	<u>255,637</u>	<u>38,478</u>
Discoveries:					
Current year taxes	-	\$.70	-	-	-
Abatements:	(243,857)	\$.70	(1,707)	(1,707)	-
Total property valuation	<u>\$ 41,772,571</u>				
Net levy			292,408	253,930	38,478
Uncollected taxes at June 30, 2021			<u>14,703</u>	<u>14,703</u>	-
Current year's taxes collected			<u>\$ 277,705</u>	<u>\$ 239,227</u>	<u>\$ 38,478</u>
Current levy collection percentage			<u>94.97%</u>	<u>94.21%</u>	<u>100.00%</u>