

REVIEWED

By SLGFD at 10:19 am, Dec 22, 2021

**Report On
Town of Harrellsville, North Carolina
Year Ended June 30, 2021**

**REPORT ON
TOWN OF HARRELLSVILLE, NORTH CAROLINA
YEAR ENDED JUNE 30, 2021**

**MAYOR
HENRY NUSS**

**MAYOR PRO-TEM
LISA HUNNICUTT**

**FINANCE OFFICER & TOWN CLERK
DINA HARRELL**

**ASSISTANT CLERK
MARGARET HOOGCARSPER**

TOWN COUNCIL

**DEBORAH BAKER
THOMAS GRIMES**

**EMMA PERRY
RONNIE REVELL**

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JUNE 30, 2021**

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Financial Section

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Independent Auditors' Report

To the Honorable Mayor
And Members of the Town of Harrellsville
Harrellsville, North Carolina

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 to 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 Town of Harrellsville's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

A handwritten signature in blue ink that reads "Johnson McLean & Co".

Johnson, McLean & Company, CPA's
Murfreesboro, North Carolina

October 27, 2021

Management's Discussion and Analysis

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

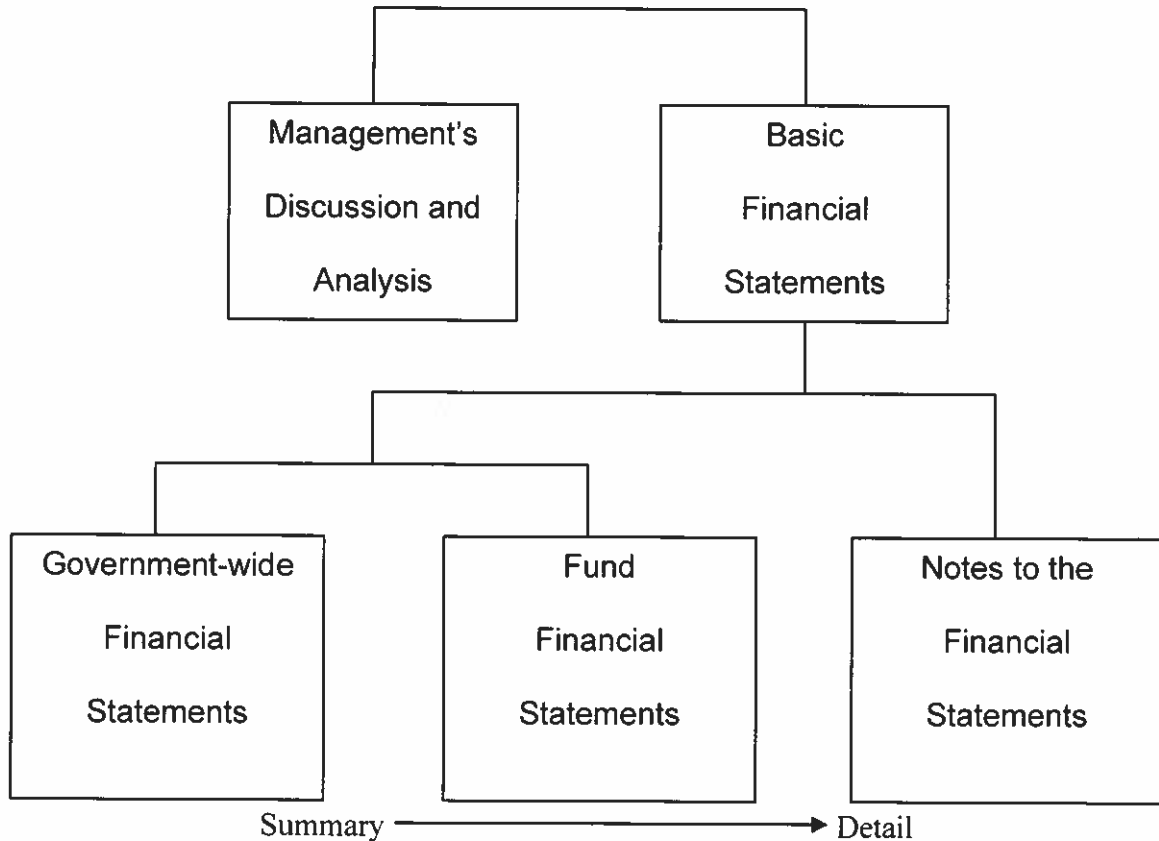
- The assets and deferred outflows of resources of the Town of Harrellsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$595,252 (*net position*).
- The government's total net position decreased by \$7,692, primarily due to depreciation of capital assets.
- As of the close of the current fiscal year, the Town of Harrellsville's governmental funds reported combined ending fund balances of \$136,181, with a net increase of \$1,175 in fund balance. Approximately 15.04% of this total amount, or \$20,486, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$99,728, or 161.51% of total general fund expenditures and transfers out for the fiscal year.
- The Town of Harrellsville's total debt decreased by \$18,792 (6.31%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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 North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Analysis

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harrellsville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Harrellsville can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Harrellsville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance

these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 11 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Harrellsville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 142,023	\$ 140,535	\$ 150,913	\$ 169,373	\$ 292,936	\$ 309,908
Capital assets	24,288	24,881	578,957	585,546	603,245	610,427
Total assets and deferred outflows of resources	166,311	165,416	729,870	754,919	896,181	920,335
Long-term liabilities outstanding	-	-	279,208	298,000	279,208	298,000
Other liabilities	2,748	2,652	18,973	16,739	21,721	19,391
Total liabilities and deferred inflows of resources	2,748	2,652	298,181	314,739	300,929	317,391
Net position:						
Net investment in capital assets	24,288	24,881	299,389	287,546	323,677	312,427
Restricted	20,486	19,337	-	-	20,486	19,337
Unrestricted	118,789	118,546	132,300	152,634	251,090	271,179
Total net position	\$ 163,563	\$ 162,764	\$ 431,689	\$ 440,180	\$ 595,252	\$ 602,943

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 Harrellsville exceeded liabilities and deferred inflows by \$595,252 as of June 30, 2021. The Town's net position decreased by \$7,691 for the fiscal year ended June 30, 2021. The largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Harrellsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Harrellsville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Harrellsville's net position, \$20,486, represents resources that are subject to external restrictions on how they may be used. Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.69%. The statewide average in fiscal year 2019 was 98.78%.

Town of Harrellsville's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 8,640	\$ 8,391	\$ 143,000	\$ 141,102	\$ 151,640	\$ 149,493
Operating grants and contributions	2,676	2,849	-	-	2,676	2,849
General revenues:						
Property taxes	22,259	22,699	-	-	22,259	22,699
Other taxes	17,832	16,897	-	-	17,832	16,897
Grants and contributions not restricted to specific programs	1,280	582	96	2,381	1,376	2,963
Other	10,454	621	-	-	10,454	621
Total revenues	63,141	52,039	143,096	143,483	206,237	195,522
Expenses:						
General government	36,109	27,937	-	-	36,109	27,937
Transportation	22,432	18,121	-	-	22,432	18,121
Environmental protection	3,800	2,152	-	-	3,800	2,152
Water and sewer	-	-	151,587	153,539	151,587	153,539
Total expenses	62,341	48,210	151,587	153,539	213,928	201,749
Increase in net position before transfers	800	3,829	(8,491)	(10,056)	(7,691)	(6,227)
Transfers	-	-	-	-	-	-
Extraordinary item: gain on insurance recovery	-	-	-	-	-	-
Increase in net position	800	3,829	(8,491)	(10,056)	(7,693)	(6,227)
Net position, beginning	162,764	158,935	440,180	450,236	602,945	609,172
Net position, June 30	\$ 163,564	\$ 162,764	\$ 431,689	\$ 440,180	\$ 595,252	\$ 602,945

Governmental activities. Governmental activities increased the Town's net position by \$800, which was not enough to affect the total loss in the net position of the Town of Harrellsville. Town management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across Town departments. Though many of the Town's residents were hit hard by the recession, tax revenue remained steady. Town management acknowledges that 2021 was not a successful year and struggles to affordably provide much needed services to its Town residents.

Business-type activities. Business-type activities decreased the Town of Harrellsville's net position by \$8,491, accounting for 110% of the total loss in the government's net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Harrellsville'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 Harrellsville's financing requirements.

The general fund is the chief operating fund of the Town of Harrellsville. At the end of the current fiscal year, Town of Harrellsville's fund balance available in the General Fund was \$99,728, while total fund balance reached \$136,181. The Governing Body of Town of Harrellsville has determined that the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 162% of general fund expenditures, and total fund balance represents 221% of the same amount.

At June 30, 2021, governmental funds reported a combined fund balance of \$136,182 with a net increase in fund balance of \$1,175.

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.

There were several reasons the Town revised its budget throughout the year. The Town amended the budget for unforeseen increases in expenses.

Proprietary Funds. The Town of Harrellsville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position for the Water Fund at the end of the fiscal year amounted to \$132,300. The total change in net position for the Water Fund was a decrease of \$8,491.

Capital Asset and Debt Administration

Capital assets. The Town of Harrellsville investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$603,245 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- A new used truck was purchased for the water department.

**Town of Harrellsville's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 16,000	\$ 16,000	\$ 3,281	\$ 3,281	\$ 19,281	\$ 19,281
Buildings and system	-	-	544,760	581,737	544,760	581,737
Equipment and furniture	-	-	1	528	1	528
Infrastructure	8,288	8,881	-	-	8,288	8,881
Vehicles and motorized equipment	-	-	30,915	-	30,915	-
Computer Software	-	-	-	-	-	-
Computer equipment	-	-	-	-	-	-
	-	-	-	-	-	-
Total	\$ 24,288	\$ 24,881	\$ 578,957	\$ 585,546	\$ 603,245	\$ 610,427

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

Long-term Debt. As of June 30, 2020, the Town of Harrellsville had total bonded debt outstanding of \$279,208. This debt is backed by the full faith and credit of the Town.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	-	-	279,208	298,000	279,208	298,000
					-	-
Total	\$ -	\$ -	\$ 279,208	\$ 298,000	\$ 279,208	\$ 298,000

Figure 5

Town of Harrellsville's Outstanding Debt. The Town of Harrellsville's total debt decreased by \$18,792 (7%) during the current fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Harrellsville is \$503,789.

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

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Harrellsville will continue, as always, to maintain services to its residents, as efficiently as possible, without causing financial strain.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes will remain the same. The Town will use these funds to finance programs already currently in place.

Budgeted expenditures in the General Fund are expected to continue rising. The largest increases are the landfill fees and maintenance related to solid waste.

The Town has chosen not to appropriate fund balance in the fiscal year 2022 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: The water rates in the Town will remain the same for now. Water operating expenses continue to increase and it's likely a rate increase will be necessary.

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 Director of Finance, Town of Harrellsville, P.O. Box 37, Harrellsville, NC 27942. One can also call (252)-356-4499, or send an email to harrellsville@centurylink.net for more information.

Basic Financial Statements

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 118,443	\$ 49,247	\$ 167,690
Restricted cash	11,362	-	11,362
Investments	-	97,311	97,311
Taxes receivables (net)	2,185	-	2,185
Accrued interest receivable on taxes	909	-	909
Accounts receivable (net)	4,435	9,044	13,479
Internal balances	4,689	(4,689)	-
Total current assets	142,023	150,913	292,936
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	16,000	3,281	19,281
Other capital assets, net of depreciation	8,288	575,676	583,964
Total capital assets	24,288	578,957	603,245
Total assets	\$ 166,311	\$ 729,870	\$ 896,181
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,748	\$ 2,695	\$ 5,443
Unearned income	-	2,019	2,019
Customer deposits	-	14,259	14,259
Long-term liabilities:			
Due within one year	-	18,792	18,792
Due in more than one year	-	260,416	260,416
Total liabilities	2,748	298,181	300,929
NET POSITION			
Net investment in capital assets	24,288	299,389	323,677
Restricted:			
Stabilization by State Statute	9,124	-	9,124
Streets	11,362	-	11,362
Unrestricted	118,789	132,300	251,089
Total net position	\$ 163,563	\$ 431,689	\$ 595,252

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 36,109	\$ -	\$ -	\$ -	\$ (36,109)	\$ -	\$ (36,109)
Transportation	22,432	-	2,676	-	(19,756)	-	(19,756)
Environmental protection	3,800	8,640	-	-	4,840	-	4,840
Total governmental activities (See Note 1)	62,341	8,640	2,676	-	(51,025)	-	(51,025)
Business-type activities:							
Water and sewer	151,587	143,000	-	-		(8,587)	(8,587)
Total business-type activities	151,587	143,000	-	-		(8,587)	(8,587)
Total primary government	\$ 213,928	\$ 151,640	\$ 2,676	\$ -	\$ (51,025)	\$ (8,587)	\$ (59,612)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					22,259	-	22,259
Other taxes					17,832	-	17,832
Unrestricted investment earnings					1,280	96	1,376
Miscellaneous					10,454	-	10,454
Total general revenues and special items					51,825	96	51,921
Change in net assets					800	(8,491)	(7,691)
Net position-beginning					162,764	440,180	602,944
Net position - ending					\$ 163,564	\$ 431,689	\$ 595,253

Fund Financial Statements

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

	<u>Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
ASSETS		
Cash and cash equivalents	\$ 118,443	\$ 118,443
Restricted cash	11,362	11,362
Receivables, net:		
Taxes	2,185	2,185
Accounts	4,435	4,435
Due from other funds	4,689	4,689
	<u>141,114</u>	<u>141,114</u>
Total assets		
	<u>141,114</u>	<u>141,114</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	2,748	2,748
DEFERRED INFLOWS OF RESOURCES		
Property tax receivable	2,185	2,185
Fund balances:		
Restricted		
Stabilization by State Statute	9,124	9,124
Streets	11,362	11,362
Assigned - cemetery	15,967	15,967
Unassigned	99,728	99,728
	<u>136,181</u>	<u>136,181</u>
Total fund balances		
	<u>136,181</u>	<u>136,181</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 141,114</u>	<u>\$ 141,114</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,288
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	909
Liabilities for earned but deferred revenues in fund statements.	<u>2,185</u>
Net position of governmental activities	<u>\$ 163,563</u>

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

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 22,041	\$ 22,041
Other taxes & license	151	151
Unrestricted intergovernmental	17,681	17,681
Restricted intergovernmental	2,676	2,676
Sales and services	8,640	8,640
Investment earnings	1,280	1,280
Miscellaneous	<u>10,454</u>	<u>10,454</u>
Total revenues	<u>62,923</u>	<u>62,923</u>
EXPENDITURES		
General government	36,109	36,109
Transportation	21,839	21,839
Environmental protection	<u>3,800</u>	<u>3,800</u>
Total expenditures	<u>61,748</u>	<u>61,748</u>
Excess (deficiency) of revenues over expenditures	1,175	1,175
OTHER FINANCING SOURCES		
Net change in fund balance	1,175	1,175
Fund balances-beginning	<u>135,007</u>	<u>135,007</u>
Fund balances-ending	<u><u>\$ 136,182</u></u>	<u><u>\$ 136,182</u></u>

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

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

Net changes in fund balances - total governmental funds	\$ 1,175
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(593)
Accrued interest on tax receivable	137
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	81
Total changes in net position of governmental activities	\$ 800

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

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 20,700	\$ 21,300	\$ 22,041	\$ 741
Other taxes & license	147	147	151	4
Unrestricted intergovernmental	15,268	17,365	17,681	316
Restricted intergovernmental	2,600	2,675	2,676	1
Sales and services	8,460	8,640	8,640	-
Investment earnings	200	1,590	1,280	(310)
Miscellaneous	600	10,152	10,454	302
Total revenues	47,975	61,869	62,923	1,054
Expenditures:				
General government	27,410	38,545	36,109	2,436
Transportation	19,435	24,420	21,839	2,581
Environmental protection	1,900	2,675	3,800	(1,125)
Total expenditures	48,745	65,640	61,748	3,892
Revenues over (under) expenditures	(770)	(3,771)	1,175	4,946
Other financing sources (uses):				
Appropriated fund balance	770	3,771	-	(3,771)
Total other financing sources (uses)	770	3,771	-	(3,771)
Revenues and other financing sources over (under) expenditures and other uses	-	-	1,175	1,175
Fund balances, beginning of year			135,007	
Fund balances, end of year			\$ 136,182	

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

	<u>Enterprise Funds</u> <u>Water</u> <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 49,247
Investments	97,311
Accounts receivable (net)	<u>9,044</u>
Total current assets	<u>155,602</u>
Capital assets:	
Land and other non-depreciable assets	3,281
Other capital assets, net of depreciation	<u>575,676</u>
Capital assets (net)	<u>578,957</u>
Total assets	<u><u>\$ 734,559</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 2,695
Unearned income	2,019
Current maturities of long-term debt	18,792
Due to other funds	4,689
Customer deposits	<u>14,259</u>
Total current liabilities	<u>42,454</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>260,416</u>
Total liabilities	<u>302,870</u>
NET POSITION	
Net investment in capital assets	299,389
Unrestricted	<u>132,300</u>
Total net position	<u><u>\$ 431,689</u></u>

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

	<u>Enterprise Funds</u> <u>Water</u> <u>Fund</u>
OPERATING REVENUES	
Charges for services	\$ 135,361
Other operating revenues	7,639
Total operating revenues	<u>143,000</u>
OPERATING EXPENSES	
Water administration and distributions	97,460
Depreciation	39,712
Total operating expenses	<u>137,172</u>
Operating income (loss)	<u>5,828</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	96
Interest and fees	(14,415)
Total nonoperating revenues (expenses)	<u>(14,319)</u>
Income (loss) before Transfers	(8,491)
Transfers	-
Change in net position	<u>(8,491)</u>
Total net position - beginning	440,180
Total net position - ending	<u><u>\$ 431,689</u></u>

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

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Water</u>
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 145,220
Cash paid for goods and services	(47,188)
Cash paid to employees for services	(49,262)
Customer deposits	<u>625</u>
Net cash provided (used) by operating activities	<u>49,395</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bond maturities	(18,792)
Interest paid on bond maturities	(14,415)
Capital outlay & truck	<u>(33,123)</u>
Net cash used by capital and related financing activities	<u>(66,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>96</u>
Net increase (decrease) in cash and cash equivalents	(16,839)
Balances-beginning of the year	<u>163,397</u>
Balances-end of the year	<u><u>\$ 146,558</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ 5,858</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	39,712
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,621
Increase (decrease) in accounts payable and accrued liabilities	1,010
Increase (decrease) in unearned income	569
Increase in customer deposits	<u>625</u>
Total adjustments	<u>43,537</u>
Net cash provided (used) by operating activities	<u><u>\$ 49,395</u></u>

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

I. Summary of Significant Accounting Policies

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town of Harrellsville does not have nonmajor funds.

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

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, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF HARRELLSVILLE NOTES TO THE FINANCIAL STATEMENTS

levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using a 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The Town Clerk is authorized to transfer appropriations within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, amendments to the original budget were made. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS

certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41-1 through 136-41.4.

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, 2019.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$5,000; furniture and equipment, \$1,000 and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2004 consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements	20 years
Furniture & equipment	10 years
Computer equipment	10 years

7. 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 no items that meet this criterion. In

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS

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 one item that meet the criterion for this category - property taxes receivable.

8. 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.

9. Compensated Absences

The Town does not provide for the accumulation of vacation or sick pay.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Assigned fund balance – portion of fund balance that the Town of Harrellsville intends to use for specific purposes as assigned by the Town Council.

Assigned for cemetery – portion of fund balance that has been assigned for maintenance of Mount Lawn Cemetery.

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

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

None

B. Excess of Expenditures Over Appropriations

None

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this 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 non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk of deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$169,303 and a bank balance of \$175,657. Of the bank balance, all was covered by federal depository insurance.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Bank Value 6-30-21	Maturity	Rating
NC Capital Management Trust - Cash Portfolio Gov't	Amortized Cost	97,311	N/A	AAAm

All investments are measured using the market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2021</u>
General Fund	
Taxes receivable	\$ -
Accounts receivable	-
Total	-
Enterprise Fund	-
Total	\$ -

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:	\$ 16,000	\$ -	\$ -	\$ 16,000
Land				
Capital assets being depreciated:				
Buildings	20,000	-	-	20,000
Vehicles	2,500	-	-	2,500
Equipment	17,486	-	-	17,486
Infrastructure	14,838	-	-	14,838
Total capital assets being depreciated	54,824	-	-	54,824
Less accumulated depreciation for:				
Buildings	20,000	-	-	20,000
Vehicles	2,500	-	-	2,500
Equipment	17,486	-	-	17,486
Infrastructure	5,957	593	-	6,550
Total accumulated depreciation	45,943	\$ 593	\$ -	46,536
Total capital assets being depreciated, net	8,881			8,288
Governmental activity capital assets, net	<u>\$ 24,881</u>			<u>\$ 24,288</u>

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

General government	\$ -
Environmental protection	-
Transportation	593
Total depreciation expense	<u>\$ 593</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 3,281	\$ -	\$ -	\$ 3,281
Capital assets being depreciated:				
Water systems	1,540,777	-	-	1,540,777
Equipment	34,061	-	-	34,061
Vehicles and motorized equipment	4,100	33,123	-	37,223
Total capital assets being depreciated	1,578,938	33,123	-	1,612,061
Less accumulated depreciation for:				
Water systems	959,040	36,977	-	996,017
Equipment	33,533	527	-	34,060
Vehicles and motorized equipment	4,100	2,208	-	6,308
Total accumulated depreciation	996,673	\$ 39,712	\$ -	1,036,385
Total capital assets being depreciated, net	582,265			575,676
Business-type activity capital assets, net	<u>\$ 585,546</u>			<u>\$ 578,957</u>

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS

B. Liabilities

1. Pension Plan Obligations

The Town of Harrellsville does not participate in any type of retirement system.

2. Deferred Outflows and Inflows of Revenues

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

Taxes receivable	\$	<u>2,185</u>
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3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for protection against loss of the Town's assets. The Town carries no liability coverage except that required for vehicles. The Town does not carry any flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any give time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000.

4. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued to finance the construction of facilities utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. In the event of a default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under related agreements. All general obligation bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund:

\$620,000 water direct placement note issued November 11, 1996 and due in increasing annual installments from \$7,500 to \$25,500; plus interest at 4.2%; maturity date June 2034.

At June 30, 2021, the Town of Harrellsville had a legal debt margin of \$503,789.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$440,474 are as follows:

Year Ending June 30	Business-type Activities		
	Payment Water Fund	Principal	Interest
2021 - 2022	35,835	18,000	17,835
2022 - 2023	35,412	18,500	16,912
2023 - 2024	34,964	19,000	15,964
2024 - 2025	33,491	19,500	13,991
2025 - 2026	33,991	20,000	13,991
2027 - 2031	161,569	107,500	54,069
2031 - 2036	89,521	76,708	12,813
Total	<u>\$ 424,783</u>	<u>\$ 279,208</u>	<u>\$ 145,575</u>

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS

b. Changes in Long-Term Liabilities

Business-type activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
General obligation bonds	\$ 298,000	\$ -	\$ 18,792	\$ 279,208	\$ 18,792

C. Interfund Balances and Activity

Balances Due to/from Other Funds

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	
	Water Fund	\$ 4,689

This interfund balance consisted of water expenses being paid by the general fund during the year.

IV. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

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

V. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

VI. Significant Effects of Subsequent Events

There have been no events that occurred between June 30, 2021 and the date of this report that have significant effect on the Town.

Individual Fund Statements and Schedules

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 22,041	\$ -
Penalties and interest	-	-	-
Total	21,300	22,041	741
Other taxes & license			
Motor fuel tax refund	-	151	-
Total	147	151	4
Unrestricted intergovernmental:			
Local option sales taxes	-	9,371	-
Beer and wine tax	-	422	-
Utility franchise tax	-	4,496	-
ABC revenue	-	329	-
Solid waste disposal tax	-	76	-
City hold harmless tax	-	2,987	-
Total	17,365	17,681	316
Restricted intergovernmental:			
Powell Bill allocation	-	2,676	-
Total	2,675	2,676	1
Sales and services:			
Cemetery lot	-	-	-
Garbage collection	-	8,640	-
Total	8,640	8,640	-
Investment earnings	1,590	1,280	(310)
Other:			
Tower contract	-	-	-
Miscellaneous	-	902	-
Covid-19 funds	-	9,552	-
Total	10,152	10,454	302
Total revenues	61,869	62,923	1,054

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	1,380	-
Professional services	-	3,750	-
Total	5,180	5,130	50
Administration:			
Salaries & employee benefits	-	7,589	-
Advertising	-	95	-
Office supplies and postage	-	742	-
Insurance and bonds	-	2,969	-
Departmental supplies	-	437	-
Telephone	-	1,559	-
Utilities	-	779	-
Lawn care	-	2,625	-
Other operating expenses	-	4,632	-
Covid 19 expenses	-	9,552	-
Total	33,365	30,979	2,386
Total general government	38,545	36,109	2,436
Transportation:			
Streets & highways:			
Salaries & employee benefits	-	6,703	-
Maintenance & repairs - streets	-	6,384	-
Utilities	-	5,957	-
Other operating expenses	-	2,795	-
Total transportation	24,420	21,839	2,581
Environmental protection:			
Sanitation:			
Garbage collection fees	-	2,382	-
Cemetery expenses	-	1,418	-
Total	2,675	3,800	(1,125)
Total expenditures	65,640	61,748	3,892

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

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	(3,771)	1,175	4,946
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Revenues and other financing sources over (under) expenditures	(3,771)	1,175	4,946
Fund balances:			
Beginning of year, July 1		135,007	
End of year, June 30		<u>\$ 136,182</u>	

Town of Harrellsville, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual
For the Fiscal Year Ended June 30, 2021

		<u>2021</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services:			
Water sales	\$ -	\$ 135,361	\$ -
Other operating revenues	-	7,639	-
Total	<u>144,635</u>	<u>143,000</u>	<u>(1,635)</u>
Nonoperating revenues:			
Interest earnings	1,594	96	(1,498)
Total nonoperating revenues	<u>1,594</u>	<u>96</u>	<u>(1,498)</u>
Total revenues	<u>146,229</u>	<u>143,096</u>	<u>(3,133)</u>
Expenditures			
Water administration and distribution:			
Salaries and employee benefits	-	49,262	-
Office supplies and postage	-	2,480	-
Utilities	-	4,181	-
Insurance	-	2,969	-
Maintenance	-	18,290	-
Water analysis	-	1,330	-
Software	-	4,654	-
Audit	-	3,750	-
Fire department allocation	-	2,000	-
Travel	-	100	-
Capital outlay	-	33,123	-
Other departmental expenses	-	8,444	-
Total water administration and distributions	<u>133,014</u>	<u>130,583</u>	<u>2,431</u>
Debt service:			
Interest and fees	14,415	14,415	-
Debt principal	18,800	18,792	-
Total debt service	<u>33,215</u>	<u>33,207</u>	<u>8</u>
Total expenditures	<u>166,229</u>	<u>163,790</u>	<u>2,439</u>
Revenues over (under) expenditures	(20,000)	(20,694)	(694)
Other Financing Sources			
Fund Balance Appropriated	-	-	-
Total	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Revenues and appropriated retained earnings over (under) expenditures	<u>-</u>	<u>(20,694)</u>	<u>\$ (20,694)</u>
Reconciliation from budgetary basis			
accrual:			
Reconciling items:			
Depreciation		(39,712)	
Principal retirement		18,792	
Capital outlay		33,123	
Total reconciling items		<u>12,203</u>	
Net income		<u>\$ (8,491)</u>	

Other Schedules

Town of Harrellsville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 22,161	\$ 21,871	\$ 290
2019-2020	445	-	143	302
2018-2019	321	-	6	315
2017-2018	293	-	2	291
2016-2017	133	-	12	121
2015-2016	24	-	2	22
2014-2015	61	-	3	58
2013-2014	480	-	3	477
2012-2013	168	-	-	168
2011-2012	141	-	-	141
2010-2011	38	-	38	-
	<u>\$ 2,104</u>	<u>\$ 22,161</u>	<u>\$ 22,080</u>	<u>\$ 2,185</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 22,041

Reconciling items:

Penalties and interest -

Taxes written off 39

Total Collections and credits \$ 22,080

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$6,331,714	0.35%	\$ 22,161	\$ 18,899	\$ 3,262
Penalties	-		-		
Total	6,331,714		22,161	18,899	3,262
Net levy			22,161	18,899	3,262
Uncollected taxes at June 30, 2021			(290)	(290)	-
Current year's taxes collected			\$ 21,871	\$ 18,609	\$ 3,262
Current levy collection percentage			98.69%	98.47%	100.00%