

**REVIEWED**

*By SLGFD at 2:38 pm, Nov 17, 2021*



TOWN OF KENANSVILLE  
Kenansville, North Carolina

FINANCIAL STATEMENTS  
Year Ended June 30, 2021

TOWN OF KENANSVILLE

Kenansville, North Carolina

TOWN COUNCIL  
BOARD OF COMMISSIONERS

John Dail Garner, Mayor  
Milt King, Mayor Pro Term  
Jonathan Guy, Commissioner  
Eddie Hobbs, Commissioner  
Bret Brown, Commissioner  
Kirk Bell, Commissioner

ADMINISTRATIVE OFFICERS

Town Manager  
Chris Roberson

Town Clerk  
Annette Dunn

Finance Officer  
Anna West

**Town of Kenansville, North Carolina**  
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**June 30, 2021**

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## FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.  
4024 Oleander Drive Suite 3  
Wilmington, North Carolina 28403  
Telephone (910) 791-4872  
Fax (910) 239-8294

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## **Independent Auditor's Report**

To the Honorable Mayor  
and Members of the Town Board  
Kenansville, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kenansville, 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 and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Kenansville, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 Kenansville, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the combining and individual fund financial statements, budgetary schedule, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Thompson, Price, Scott, Adams & Co., PA***

*Wilmington, North Carolina*

*October 22, 2021*

## MANAGEMENT'S DISCUSSION AND ANALYSIS



## Management's Discussion and Analysis

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

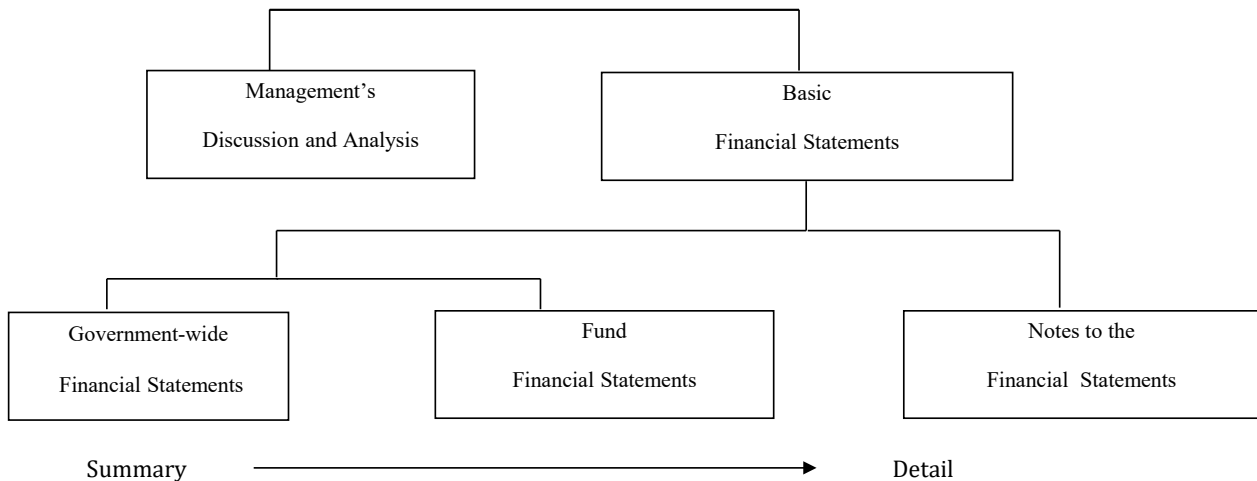
- The assets and deferred outflows of resources of the Town of Kenansville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,431,458 (net position).
- The government's total net position decreased by \$69,178, primarily due to an increase in expenses in business-type activities net position.
- As of the close of the current fiscal year, the Town of Kenansville's governmental fund reported an ending fund balance of \$889,832 with a net increase of \$87,763 in fund balance. Approximately 34.50% of this total amount, or \$307,024, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$582,808, or 70.10% of total general fund expenditures for the fiscal year.
- The Town of Kenansville's total debt decreased by \$38,695 during the current fiscal year due to regularly scheduled principal payments.

### Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



## Basic Financial Statements

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

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

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

## Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, 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 water and sewer services offered by the Town of Kenansville. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

## Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kenansville, 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 Kenansville can be divided into two categories: governmental funds and proprietary fund.

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

**Proprietary Fund** - Town of Kenansville 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 Kenansville uses enterprise funds to account for its water and sewer fund 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 follow Exhibit 8 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Kenansville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes to the Financial Statements.

**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 Kenansville's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,007,030	\$ 908,495	\$ 2,035,897	\$ 1,889,058	\$ 3,042,927	\$ 2,797,553
Capital assets	1,260,667	1,344,488	1,848,269	1,983,424	3,108,936	3,327,912
Deferred outflows of resources	196,888	88,639	129,585	51,782	326,473	140,421
Total assets	2,464,585	2,341,622	4,013,751	3,924,264	6,478,336	6,265,886
Long-term liabilities outstanding	852,511	697,985	601,123	477,721	1,453,634	1,175,706
Other liabilities	46,674	64,727	14,606	32,787	61,280	97,514
Deferred inflows of resources	201,672	268,259	330,292	223,771	531,964	492,030
Total liabilities	1,100,857	1,030,971	946,021	734,279	2,046,878	1,765,250
Net position:						
Net investment in capital assets	1,208,107	1,257,905	1,848,269	1,975,659	3,056,376	3,233,564
Restricted	307,024	256,504	119,056	119,056	426,080	375,560
Unrestricted	(151,403)	(203,758)	1,100,405	1,095,270	949,002	891,512
Total net position	\$ 1,363,728	\$ 1,310,651	\$ 3,067,730	\$ 3,189,985	\$ 4,431,458	\$ 4,500,636

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 Kenansville exceeded liabilities and deferred inflows by \$4,431,458 as of June 30, 2021. The Town's net position decreased by \$69,178 for the fiscal year ended June 30, 2021. However, the Town's largest portion, \$3,056,376 (68.97%), reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Town of Kenansville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Kenansville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Kenansville's net position of \$426,080 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$949,002 is unrestricted.

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

- Increased sales tax revenues.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 88.43%.

**Town of Kenansville's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program Revenues						
Charges for services	\$ 153,965	\$ 207,047	\$ 569,291	\$ 709,567	\$ 723,256	\$ 916,614
Operating grants and contributions	20,285	32,047	-	-	20,285	32,047
General revenues:						
Property taxes	409,368	381,505	-	-	409,368	381,505
Other taxes	358,638	363,797	-	-	358,638	363,797
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	2,047	122,502	15,407	8,858	17,454	131,360
<b>Total revenues</b>	<b>944,303</b>	<b>1,106,898</b>	<b>584,698</b>	<b>718,425</b>	<b>1,529,001</b>	<b>1,825,323</b>
<b>Expenses:</b>						
General government	231,346	280,923	-	-	231,346	280,923
Public safety	396,884	396,850	-	-	396,884	396,850
Transportation	120,754	166,332	-	-	120,754	166,332
Environmental protections	58,405	71,262	-	-	58,405	71,262
Cultural and recreation	80,646	72,304	-	-	80,646	72,304
Interest on long-term debt	3,191	89	-	-	3,191	89
Water and sewer	-	-	706,953	685,233	706,953	685,233
<b>Total expenses</b>	<b>891,226</b>	<b>987,760</b>	<b>706,953</b>	<b>685,233</b>	<b>1,598,179</b>	<b>1,672,993</b>
Increase (decrease) in net position before transfers	53,077	119,138	(122,255)	33,192	(69,178)	152,330
Increase (decrease) in net position	53,077	119,138	(122,255)	33,192	(69,178)	152,330
Net position, beginning	1,310,651	1,191,513	3,189,985	3,156,793	4,500,636	4,348,306
Net position, ending	\$ 1,363,728	\$ 1,310,651	\$ 3,067,730	\$ 3,189,985	\$ 4,431,458	\$ 4,500,636

Governmental activities: Governmental activities increased the Town's net position by \$53,077 hereby accounting for 100% increase in the net position of the Town of Kenansville. Key element of this increase are as follows:

- Decrease in expenses.
- Increase in property tax revenues.

**Business-type activities:** Business-type activities decreased the Town's net position by \$122,255, accounting for (100%) of the total decrease in the government's net position. Key elements of this decrease are as follows:

- Increase in expenses.
- Decrease in revenues.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Kenansville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$582,808 while total fund balance reached \$889,832. The Governing Body of Town of Kenansville 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 70.10% of general fund expenditures, while total fund balance represents 107.02% of the same amount.

At June 30, 2021, the governmental funds of Town of Kenansville reported a combined fund balance of \$889,832, with a net increase in fund balance of \$87,763.

**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.

**Proprietary Fund.** The Town's proprietary fund provides 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 \$1,100,405. The total decrease in net position was \$122,255. The change in net position in the Water and Sewer Fund is a result of increase water expenses.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Kenansville's net investment in capital assets for its governmental and business type activities as of June 30, 2021, totals \$3,108,936 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Kenansville's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 41,125	\$ 41,125	\$ 6,500	\$ 6,500	\$ 47,625	\$ 47,625
Construction in progress	-	-	78,480	78,480	78,480	78,480
Buildings and other systems	384,245	396,965	1,659,419	1,762,566	2,043,664	2,159,531
Improvements other than buildings	588,700	607,167	-	-	588,700	607,167
Equipment	159,755	189,733	75,928	94,519	235,683	284,252
Vehicles and equipment	85,903	108,269	-	37,329	-	-
Computer software	-	-	25,108	4,030	25,108	4,030
Computer equipment	939	1,229	2,834	-	3,773	1,229
<b>Total</b>	<b>\$ 1,260,667</b>	<b>\$ 1,344,488</b>	<b>\$ 1,848,269</b>	<b>\$ 1,983,424</b>	<b>\$ 3,108,936</b>	<b>\$ 3,327,912</b>

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

**Long-term Debt.** As of June 30, 2021 the Town of Kenansville had total debt outstanding of \$52,560. The legal debt margin of the Town is \$5,660,887.

Additional information regarding the Town of Kenansville's long-term debt can be found in the notes to the financial statements.

#### **Economic Factors and Next Year's Budget and Rates**

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

- The Town of Kenansville is the county seat of Duplin County, offering jobs in local and state agencies. The Town is also home to Vidant Duplin Hospital, one K-8 school, and James Sprunt Community College.
- Occupancy rates on office and retail space. The Town host high occupancy rates throughout the fiscal year.
- More growth is expected with more businesses coming to Town which will in turn add to the tax base.

#### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** the Town's property tax rate will remain at \$0.47 per \$100. Property tax and revenues from local sales tax and franchise taxes are expected to remain relatively level.

Budgeted expenditures in the General Fund decreased approximately 14% in comparison to the prior year budget. This decrease is mainly due to decreased expenditures in operating expenditures and debt service.

**Business-type Activities:** the Water and Sewer rates will remain the same for customers. Expenditures increased approximately 3% primarily due to increased operating expenditures.

### **Request for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Question concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Kenansville, PO Box 370, 141 Routledge Road, Kenansville, NC. 28349. You can also call 910-296-0369 or send an email to [manager@kenansville.org](mailto:manager@kenansville.org).

## BASIC FINANCIAL STATEMENTS



**Town of Kenansville, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>			<b>Kenansville</b>
	<b>Governmental</b>	<b>Business-</b>	<b>Total</b>	<b>ABC Board</b>
	<b>Activities</b>	<b>type</b>		
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 620,385	\$ 1,602,171	\$ 2,222,556	\$ 47,603
Restricted cash and cash equivalents	191,735	313,340	505,075	-
Accounts receivable (net)	97,966	120,386	218,352	2,263
Tax receivable (net)	75,977	-	75,977	1,662
Accrued interest receivable on taxes	20,967	-	20,967	-
Inventories	-	-	-	94,315
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	41,125	84,980	126,105	3,357
Other capital assets, net of depreciation	1,219,542	1,763,289	2,982,831	22,967
Total capital assets	1,260,667	1,848,269	3,108,936	26,324
Total assets	2,267,697	3,884,166	6,151,863	172,167
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	108,700	54,462	163,162	11,023
OPEB deferrals	88,188	75,123	163,311	-
Total deferred outflows of resources	196,888	129,585	326,473	11,023
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	20,254	11,500	31,754	41,797
Unearned revenue	-	403	403	-
Current portion of long-term liabilities	26,280	-	26,280	-
Compensated absences payable	140	2,703	2,843	-
Long-term liabilities:				
Liabilities payable from restricted assets:				
Deposits	-	32,039	32,039	-
Compensated absences payable	24,678	10,814	35,492	-
Net pension liability - LGERS	103,815	88,435	192,250	20,726
Total pension liability - LEO	146,192	-	146,192	-
Total OPEB liability	551,546	469,835	1,021,381	-
Due in more than one year	26,280	-	26,280	-
Total liabilities	899,185	615,729	1,514,914	62,523
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	8,500	3,493	11,993	682
Deferred revenues - Grant CW17518	-	162,245	162,245	-
OPEB deferrals	193,172	164,554	357,726	-
Total deferred outflows of resources	201,672	330,292	531,964	682
<b>NET POSITION</b>				
Net investment in capital assets	1,208,107	1,848,269	3,056,376	26,324
Restricted for:				
State Stabilization	97,966	-	97,966	-
Transportation	191,735	-	191,735	-
Recreation	17,323	-	17,323	-
WW Treatment Plant Expansion	-	119,056	119,056	-
Other functions	-	-	-	21,510
Unrestricted	(151,403)	1,100,405	949,002	72,151
Total net position	\$ 1,363,728	\$ 3,067,730	\$ 4,431,458	\$ 119,985

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

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

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Unit	
					Governmental Activities	Business-type Activities	Kenansville ABC Board	
Primary government:								
Governmental Activities:								
General government	\$ 231,346	\$ 42,771	\$ -	\$ -	\$ (188,575)	\$ -	\$ (188,575)	
Public safety	396,884	-	-	-	(396,884)	-	(396,884)	
Transportation	120,754	29,859	20,285	-	(70,610)	-	(70,610)	
Environmental protection	58,405	78,655	-	-	20,250	-	20,250	
Cultural and recreational	80,646	2,680	-	-	(77,966)	-	(77,966)	
Interest on long-term debt	3,191	-	-	-	(3,191)	-	(3,191)	
Total governmental activities	891,226	153,965	20,285	-	(716,976)	-	(716,976)	
Business-type activities:								
Water & Sewer Fund	706,953	569,291	-	-	-	(137,662)	(137,662)	
Total business-type activities	706,953	569,291	-	-	-	(137,662)	(137,662)	
Total primary government	\$ 1,598,179	\$ 723,256	\$ 20,285	\$ -	\$ (716,976)	\$ (137,662)	\$ (854,638)	
Component units:								
Kenansville ABC Board	686,539	722,987	-	-				36,448
Total component units	\$ 686,539	\$ 722,987	\$ -	\$ -				\$ 36,448
General revenues:								
Taxes:								
Property taxes, levied for general purpose					329,720	-	329,720	-
Local option sales tax					79,648	-	79,648	-
Other taxes and licenses					358,638	-	358,638	-
Investment earnings, unrestricted					2,047	5,025	7,072	22
Miscellaneous, unrestricted					-	10,382	10,382	-
Total general revenues, special items, and transfers					770,053	15,407	785,460	22
Change in net position					53,077	(122,255)	(69,178)	36,470
Net position, beginning					1,310,651	3,189,985	4,500,636	83,515
Net position, ending					\$ 1,363,728	\$ 3,067,730	\$ 4,431,458	\$ 119,985

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

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

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 620,385	\$ 620,385
Restricted cash	191,735	191,735
Receivables, net:		
Taxes	75,977	75,977
Accounts	97,966	97,966
Total assets	<u>986,063</u>	<u>986,063</u>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>20,254</u>	<u>20,254</u>
Total liabilities	<u>20,254</u>	<u>20,254</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	75,977	75,977
Prepaid taxes	-	-
Total deferred inflows of resources	<u>75,977</u>	<u>75,977</u>
<b>FUND BALANCES</b>		
Restricted		
Stabilization by State Statute	97,966	97,966
Streets - Powell Bill	191,735	191,735
Recreation	17,323	17,323
Unassigned	<u>582,808</u>	<u>582,808</u>
Total fund balances	<u>889,832</u>	<u>889,832</u>
Total Liabilities, deferred inflows of resources and fund balances \$	<u><u>986,063</u></u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,260,667
Liabilities for Earned revenues but considered deferred inflows in fund statements.	75,977
Deferred outflows of resources related to pensions are not reported in the funds.	108,700
Deferred outflows of resources related to OPEB are not reported in the funds	88,188
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.	20,967
Deferred inflows of resources related to pensions are not reported in the funds	(8,500)
Deferred inflows of resources related to OPEB are not reported in the funds	(193,172)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(77,378)
Total pension liability.	(146,192)
Total OPEB liability	(551,546)
Net pension liability.	<u>(103,815)</u>
Net position of governmental activities	<u>\$ 1,363,728</u>

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

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 304,625	\$ 304,625
Other taxes and licenses	56,047	56,047
Unrestricted intergovernmental	382,239	382,239
Restricted intergovernmental	50,755	50,755
Permits and fees	3,949	3,949
Sales and services	113,174	113,174
Investment earnings	2,047	2,047
Miscellaneous	6,372	6,372
Total revenues	<u>919,208</u>	<u>919,208</u>
<b>EXPENDITURES</b>		
Current:		
General government	245,825	245,825
Public safety	351,262	351,262
Transportation	110,837	110,837
Environmental protection	58,405	58,405
Culture and recreation	30,995	30,995
Debt principal	30,930	30,930
Debt interest	3,191	3,191
Total expenditures	<u>831,445</u>	<u>831,445</u>
Excess (deficiency) of revenues over expenditures	<u>87,763</u>	<u>87,763</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers to other funds	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>
Net change in fund balance	87,763	87,763
Fund balances-beginning	802,069	802,069
Fund balances-ending	<u>\$ 889,832</u>	<u>\$ 889,832</u>

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

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

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

Net changes in fund balances - total governmental funds	\$ 87,763
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	-
Depreciation expense for governmental assets	(83,821)
	(83,821)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	45,658
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	2,355
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	(25,095)
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	(2,830)
OPEB plan expense	(35,287)
Pension expense	33,404
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. This amount is the net effect of these differences in the treatment of principal payments on long-term debt and related items.	30,930
Total changes in net position of governmental activities	<u>\$ 53,077</u>

**Town of Kenansville, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

	<b>General Fund</b>			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 372,435	\$ 310,879	\$ 304,625	\$ (6,254)
Other taxes and licenses	-	51,688	56,047	4,359
Unrestricted intergovernmental	184,190	337,510	382,239	44,729
Restricted intergovernmental	35,000	64,053	50,755	(13,298)
Permits and fees	4,000	3,760	3,949	189
Sales and services	85,000	116,927	113,174	(3,753)
Investment earnings	2,000	950	2,047	1,097
Miscellaneous	155,287	6,400	6,372	(28)
Total revenues	<u>837,912</u>	<u>892,167</u>	<u>919,208</u>	<u>27,041</u>
Expenditures				
Current:				
General government	209,711	256,914	245,825	11,089
Public safety	374,660	361,821	351,262	10,559
Transportation	165,011	164,816	110,837	53,979
Environmental protection	58,400	58,500	58,405	95
Culture and recreation	46,287	47,087	30,995	16,092
Debt principal	-	30,995	30,930	65
Debt interest	-	3,191	3,191	-
Contingency	15,000	-	-	-
Total expenditures	<u>869,069</u>	<u>923,324</u>	<u>831,445</u>	<u>91,879</u>
Revenues over (under) expenditures	(31,157)	(31,157)	87,763	118,920
Other financing sources (uses):				
Fund Balance Appropriated	<u>31,157</u>	<u>31,157</u>	-	-
Total other financing sources (uses)	<u>31,157</u>	<u>31,157</u>	-	<u>(31,157)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	87,763	\$ <u>87,763</u>
Fund balances:				
Beginning of year, July 1			802,069	
End of year, June 30			\$ <u>889,832</u>	

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

**Town of Kenansville, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	Water Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,602,171
Accounts receivable (net)	120,386
Restricted cash and cash equivalents	313,340
Total current assets	<u>2,035,897</u>
Noncurrent assets:	
Capital assets (net)	<u>1,848,269</u>
Total assets	<u>3,884,166</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	54,462
OPEB deferrals	75,123
Total deferred outflows of resources	<u>129,585</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	11,500
Unearned revenue	403
Compensated absences payable	2,703
Total current liabilities	<u>14,606</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Deposits	32,039
Net pension liability	88,435
Total OPEB liability	469,835
Compensated absences payable	10,814
Total noncurrent liabilities	<u>601,123</u>
Total liabilities	<u>615,729</u>
<b>Deferred Inflows of Resources</b>	
Deferred revenues - Grant	162,245
Pension deferrals	3,493
OPEB deferrals	164,554
Total deferred inflows of resources	<u>330,292</u>
<b>Net Position</b>	
Net investment in capital assets	1,848,269
Restricted - Waste Water Treatment Plant	119,056
Unrestricted	1,100,405
Total net position	<u>\$ 3,067,730</u>

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

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 547,317
Water & Sewer taps	7,050
Other operating revenues	14,924
Total operating revenues	<u>569,291</u>
Operating expenses:	
Water and sewer Administration	297,494
Water treatment and distribution	274,226
Depreciation	135,155
Total operating expenses	<u>706,875</u>
Operating income (loss)	<u>(137,584)</u>
Nonoperating revenues (expenses):	
Investment earnings	5,025
Interest and other charges	(78)
Miscellaneous revenue	10,382
Total nonoperating revenues (expenses)	<u>15,329</u>
Net Income before transfers	<u>(122,255)</u>
Transfer in (out)	<u>-</u>
Change in net position	(122,255)
Net Position - Beginning	3,189,985
Total net position, Ending	<u>\$ 3,067,730</u>

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



**Town of Kenansville, North Carolina**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2021**

	<u>Water and Sewer Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 601,575
Cash paid for goods and services	(135,819)
Cash paid to employees for services	(287,238)
Customer deposits received (net)	3,345
Net cash provided/(used) by operating activities	<u>181,863</u>
<b>Cash flows from noncapital financing activities:</b>	
Capital contributions	<u>-</u>
Net cash provided/(used) by noncapital financing activities	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal payments	(7,765)
Net cash provided/(used) by capital and related financing activities	<u>(7,765)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>5,025</u>
Net increase(decrease) in cash and cash equivalents	179,123
Cash and cash equivalents:	
Beginning of year, July 1	1,736,388
End of year, June 30	\$ <u><u>1,915,511</u></u>

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

**Town of Kenansville, North Carolina**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2021**

	<u>Water and Sewer Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income/(loss)	\$ <u>(137,584)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Principal payments	7,765
Depreciation	135,155
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	32,284
Increase (decrease) in allowance for doubtful	2,539
Increase (decrease) in accounts payable and accrued liabilities	(10,236)
Increase (decrease) in net pension liability	10,298
Increase (decrease) in unearned revenues	(163)
Increase (decrease) in OPEB liability	109,827
Increase (decrease) in compensated absences	(85)
(Increase) decrease in deferred outflows of resources for pensions	(77,803)
Increase (decrease) in deferred inflows of resources for pensions	106,521
Increase(decrease) in deposits	3,345
Total adjustments	<u>319,447</u>
Net cash provided/(used) by operating activities	\$ <u><u>181,863</u></u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Kenansville, North Carolina**  
**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 Kenansville, NC and its discretely presented component unit 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 Kenansville is a municipal corporation that is governed by an elected mayor and a five-member board. As required by generally accepted accounting principles, these financial statements present the Town of Kenansville and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Kenansville ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Kenansville ABC Board, P.O. Box 488, Kenansville, North Carolina 28349.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major 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 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 public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

**Water Fund and Sewer Fund.** These two separate funds are 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 levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

*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 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 Kenansville because the tax is levied by Duplin 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 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.

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 Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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. The ABC board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The Town adopted enabling legislation on October 1, 1990 related to sewer impact fees charges to commercial and institutional customers. The fees collected for this purpose can only be used for Waste Water Treatment Plant expansion. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. The Town had unspent donated funds of \$2,853 that can only be spent for recreation purposes. Powell Bill funds are also classified as restricted cash because they 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.

Town of Kenansville Restricted Cash

## Governmental Activities:

General Fund	Streets	\$ 191,735
Total governmental activities		<u>\$ 191,735</u>

## Business-Type Activities:

Water and Sewer Fund	Customer deposits	\$ 32,039
	Wastewater Treatment Expansion	281,301
Total Business-Type Activities		<u>\$ 313,340</u>

Total Restricted Cash		<u>\$ 505,075</u>
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4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost for the Town's assets is \$1,000. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimate historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	30
Buildings	50
Vehicles	6
Furniture and equipment	7
Computer software	5
Computer equipment	3-5

Property, plant, and equipment of the ABC Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	30 years
Store equipment	20-May years
Office equipment	10 years
Leasehold improvements	10 years

#### 8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only three items that meet the criterion for this category - property taxes receivable, OPEB deferrals, and pension deferrals for the 2021 fiscal year.

#### 9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

#### 10. Compensated Absences

The vacation policy of the Town provides for the accumulated at the rate of up to thirty (30) days per year with each leave being fully vested when earned. For the Town's government wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds 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 is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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



## 11. Net Position/Fund Balances

### Net Position

Net position in government-wide and proprietary fund financial statements are classified as investment in capital assets; 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Recreation - portion of fund balance that is restricted by revenue source for recreation.

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

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

#### 12. Defined Benefit Cost-Sharing Plans

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

### II. Stewardship, Compliance, and Accountability

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

##### 1. Noncompliance with North Carolina General Statutes

None.

##### 2. Contractual Violations

None.

#### B. Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance

None.

#### C. Excess of Expenditures over Appropriations

None.

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Deposits

All the deposits of the Town and the ABC Board 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 or ABC board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town or ABC Board, these deposits are considered to be held by the Town's or ABC Boards agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,727,531 and a bank balance of \$2,729,766. Of the bank balance, \$250,000 of which was covered by federal depository insurance and the remainder was covered under the pooling method. The ABC Board's deposits had a carrying amount of \$47,603 and a bank balance of \$69,013. All of the bank balance was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$100.

##### 2. Investments

At June 30, 2021, the Town of Kenansville had \$0.00 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2021. The Town has no policy regarding credit risk.

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 41,125	\$ -	\$ -	\$ 41,125
Construction in progress	-	-	-	-
Total capital assets not being depreciated	41,125	-	-	41,125
<b>Capital assets being depreciated:</b>				
Buildings	576,129	-	-	576,129
Other improvements	768,405	-	-	768,405
Equipment	696,368	-	-	696,368
Vehicles & motorized equipment	244,662	-	(26,637)	218,025
Computer software	23,828	-	-	23,828
Computer equipment	11,518	-	-	11,518
Total capital assets being depreciated	2,320,910	-	(26,637)	2,294,273
<b>Less accumulated depreciation for:</b>				
Buildings	179,164	12,720	-	191,884
Other improvements	161,238	18,467	-	179,705
Equipment	506,635	29,978	-	536,613
Vehicles and motorized equipment	136,393	22,366	(26,637)	132,122
Computer software	23,828	-	-	23,828
Computer equipment	10,289	290	-	10,579
Total accumulated depreciation	1,017,547	83,821	(26,637)	1,074,731
Total capital assets being depreciated, net	1,303,363			1,219,542
<b>Governmental activity capital assets, net</b>	<b>\$ 1,344,488</b>			<b>\$ 1,260,667</b>

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

General Government	\$ 5,094
Public Safety	23,602
Transportation	18,536
Environmental protection	-
Cultural and recreational	36,589
Total Depreciation Expense	<u>\$ 83,821</u>

**Business-Type Activities:****Water and Sewer Fund****Capital assets not being depreciated:**

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Construction in progress	78,480	-	-	78,480
Total capital assets not being depreciated	84,980	-	-	84,980

**Capital assets being depreciated:**

Plant and Distribution Systems	5,168,694	-	-	5,168,694
Computer equipment	8,977	-	-	8,977
Furniture, Equipment & Maintenance	409,472	-	-	409,472
Vehicles	93,166	-	(15,582)	77,584
Total capital assets being depreciated	5,680,309	-	(15,582)	5,664,727

**Less accumulated depreciation for:**

Plant and Distribution Systems	3,406,128	103,147	-	3,509,275
Computer equipment	4,947	1,196	-	6,143
Furniture, Equipment & Maintenance	314,953	18,591	-	333,544
Vehicles	55,837	12,221	(15,582)	52,476
Total accumulated depreciation	3,781,866	135,155	(15,582)	3,901,438
Total capital assets being depreciated, net	1,898,443			1,763,289
<b>Water Fund capital assets, net</b>	<b>\$ 1,983,423</b>			<b>\$ 1,848,269</b>

**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,357	\$ -	\$ -	\$ 3,357
Construction in progress	-	-	-	-
Total capital assets not being depreciated	3,357	-	-	3,357
<b>Capital assets being depreciated:</b>				
Buildings	60,181	-	-	60,181
Store equipment	21,477	-	-	21,477
Office equipment	927	-	-	927
Improvements	11,441	-	-	11,441
Total capital assets being depreciated	94,026	-	-	94,026
<b>Less accumulated depreciation for:</b>				
Buildings	43,295	840	-	44,135
Store equipment	11,103	-	-	11,103
Office equipment	786	63	-	849
Improvements	11,442	3,530	-	14,972
Total accumulated depreciation	66,626	4,433	-	71,059
Total capital assets being depreciated, net	27,400			22,967
<b>Water Fund capital assets, net</b>	<b>\$ 30,757</b>			<b>\$ 26,324</b>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town 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](http://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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.22% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$45,658 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$192,250 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, the Town's proportion was 0.00538%, which was an decrease of 0.00084% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$64,041. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,278	\$ -
Changes of assumptions	14,307	-
Net difference between projected and actual earnings on pension plan investments	27,054	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	7,097	7,593
Town's contributions subsequent to the measurement date	45,658	-
Total	<u>\$ 118,394</u>	<u>\$ 7,593</u>

\$45,658 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ 18,487
2023	24,102
2024	14,549
2025	8,005
2026	-
Thereafter	-
	<u>\$ 65,143</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	7.00 percent, net of position plan investment expense, including inflation

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

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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



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

	<b>1 % Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$390,055	\$192,250	\$27,861

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

**b. Law Enforcement Officers Special Separation Allowance**

*Plan Description*

The Town of Kenansville administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has made no contributions to this plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	3
Total	<u>3</u>

*Summary of Significant Accounting Policies*

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

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

*Actuarial Assumptions*

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

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

#### *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$0.00 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$146,192. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$17,785.

	<b><u>Deferred Outflows of Resources</u></b>		<b><u>Deferred Inflows of Resources</u></b>	
Differences between expected and actual experience	\$	18,030	\$	1,904
Changes of assumptions and other inputs		26,738		2,496
Benefit payments and administrative expenses subsequent to the measurement date.		-		-
Total	\$	44,768	\$	4,400

\$0.00 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended</u></b>	
2022	9,793
2023	9,792
2024	9,641
2025	9,143
2026	1,999
Thereafter	-
	<b><u>\$ 40,368</u></b>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1 % Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Town's proportionate share of the net pension liability (asset)	\$156,405	\$146,192	\$136,651

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

	<b>2021</b>
Beginning balance	\$ 112,985
Service Cost	3,983
Interest on the total pension liability	3,683
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,335)
Changes of assumptions or other inputs	27,876
Benefit payments	-
Other changes	-
Ending balance of the total pension	<u>\$ 146,192</u>

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

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

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 64,041	\$ 17,785	\$ 81,826
Pension Liability	192,250	146,192	338,442
Proportionate share of the net pension liability	0.00538%	N/A	-
Deferred of Outflows of Resources			-
Differences between expected and actual experience	24,278	18,030	42,308
Changes of assumptions	14,307	26,738	41,045
Net difference between projected and actual earnings on plan investments	27,054	-	27,054
Changes in proportion and differences between contributions and proportionate share of contributions	7,097	-	7,097
Benefit payments and administrative costs paid subsequent to the measurement date	45,658	-	45,658
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	1,904	1,904
Changes of assumptions	-	2,496	2,496
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,593	-	7,593

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Contributions for the year ended June 30, 2021 for all employees were \$24,475, which consisted of \$19,134 from the Town and \$5,341 from the employees and law enforcement officers. No amounts were forfeited.

d. Other Employment Benefits

Health Care 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 Board 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* . The plan provides post-employment healthcare benefits to retirees of the Town, provided thru participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays the cost of coverage as indicated below based on length of service. The Town pays the costs for these benefits through private insurers. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare supplemental plan after qualifying for Medicare. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates but the retiree must pay all cost of dependent coverage. The Town Board may amend the benefit provisions. A separate report was not issued for the plan. At the July 11, 2011 regular board meeting, the Board voted to rescind the resolution to provide retirees and elected officials with health insurance coverage. The employees that are presently employed with the Town will be eligible for this benefit, but all employees hired after July 11, 2011 will not be covered. A separate report was not issued for the plan.

Years of Creditable Service	Date Hired	
	Pre-July 11, 2011	On or after July 11, 2011
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 10 years	20% coverage paid for by Town	Not eligible for coverage
10 - 20 years	75% coverage paid for by Town	Not eligible for coverage
20+ years	Full coverage paid for by Town	Not eligible for coverage

Membership of the HCB Plan consisted of the following at December 31, 2020, the date of the latest actuarial valuation:

	General	Law
Retirees and dependents receiving benefits	-	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active Plan members	-	4
Total	-	6

### Total OPEB Liability

The Town's total OPEB liability of \$1,021,381 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Health Care Cost Trend Rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00%
Vision	2.50%

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
<b>Balance at July 1, 2020</b>	\$ 782,626
<b>Changes for the year:</b>	
Service cost	16,700
Interest	27,764
Differences between expected and actual experience	(842)
Changes in assumption of other inputs	207,366
Benefit payments	(12,233)
<b>Net changes</b>	238,755
<b>Balance at June 30, 2021</b>	<u>\$ 1,021,381</u>

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 Date Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2020 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:

	<b>1 % Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB liability	\$1,237,237	\$1,021,381	\$855,014

*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:

	<b>1 % Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	\$836,408	\$1,021,381	\$1,263,001

#### **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 \$35,287. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,320	\$ 253,130
Changes in assumptions	161,991	104,596
Benefit payments and administrative costs made	-	-
Total	<u>\$ 163,311</u>	<u>\$ 357,726</u>

\$0.00 reported as deferred outflows of resources 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, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2022	(79,751)
2023	(79,751)
2024	(36,981)
2025	7,239
2026	(5,171)
Thereafter	-
Total	<u>(194,415)</u>

## 2. Other Employment Benefits

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

## 3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 45,658
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	43,628
Changes of assumptions	203,036
Net difference between projected and actual earnings	27,054
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,097
Total	<u>\$ 326,473</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Deferred revenues - Grant (Water and Sewer)	162,245	-
Taxes receivable (General Fund)	-	75,977
Change in assumptions	107,092	-
Differences between expected and actual experience	255,034	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,593	-
Total	<u>\$ 531,964</u>	<u>\$ 75,977</u>

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. 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 property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

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. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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 because it is not in a designated flood zone.

Town of Kenansville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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 for the ABC store.

#### 5. Claims, Judgments, and Contingent Liabilities

No claims or judgments exists at June 30, 2021.

#### 6. Long Term Obligations

##### a. Capital Leases

The Town has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on August 10, 2017 to lease police equipment and requires 5 payments of \$1,668.82. Title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 7,555	\$ 4,061	\$ 3,494

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30</u>	
2022	\$ 1,669
	\$ 1,669
Less: amount representing interest	242
Present value of the minimum lease payments	<u>\$ 1,427</u>



b. Installment Purchase

In January 2020, the Town entered into a direct placement contract with First Bank to finance vehicles for the Public Safety and Transportation Departments. The financing contract requires principal payments beginning in the fiscal year 2021 with interest rates at 2.07%. The balance at June 30, 2021 is \$52,560.

Annual debt service payments of the direct placement installment purchase as June 30, 2021, including \$1,377 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 26,280	\$ 964
2023	26,280	413
Total	<u>\$ 52,560</u>	<u>\$ 1,377</u>

c. Changes in Long-Term Liabilities

	Balance 1-Jul-20	Increases	Decreases	Balance 30-Jun-21	Current Portion
<b>Governmental activities:</b>					
Direct placement installment purchases	\$ 83,490	\$ -	\$ (30,930)	\$ 52,560	\$ 26,280
Capitalized lease	3,093	-	(1,424)	1,669	1,669
Total OPEB Liability	422,618	128,928	-	551,546	
Net pension liability (LGERS)	91,726	12,089	-	103,815	-
Total pension liability (LEO)	112,985	33,207	-	146,192	-
Compensated absences	16,561	11,087	(2,830)	24,818	140
Total	<u>\$ 730,473</u>	<u>\$ 185,311</u>	<u>\$ (35,184)</u>	<u>\$ 880,600</u>	<u>\$ 28,089</u>
<b>Business-type activities:</b>					
Direct placement installment purchases	\$ 7,765	\$ -	\$ (7,765)	\$ -	\$ -
Net pension liability (LGERS)	78,137	10,298	-	88,435	
Total OPEB Liability	360,008	109,827	-	469,835	-
Compensated absences	13,602	-	(85)	13,517	2,703
Total	<u>\$ 459,512</u>	<u>\$ 120,125</u>	<u>\$ (7,850)</u>	<u>\$ 571,787</u>	<u>\$ 2,703</u>

Compensated absences for governmental activities are typically liquidated in the General Fund.

At June 30, 2021, the Town of Kenansville had a legal debt margin of \$5,660,887.

f. Operating Leases

The Town executed a Metering as a Service Agreement contract with Metersys on March 12, 2018. The contract required the Town to pay \$49,663 on June 30, 2018 and nine more additional payments of \$49,663 due January 31 beginning in 2019 and ending January 31, 2027. The Town has recognized \$49,663 in rental expenses during the current fiscal year as a result of this agreement.

C. Interfund Balances and Activity

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

The Town did not make any interfund transfers this fiscal year.

D. Net Investment in Capital Assets

	Govenmental	Business-type
Capital Assets	\$ 1,260,667	\$ 1,848,269
Less: long-term debt	52,560	-
Net investment in capital assets	<u>\$ 1,208,107</u>	<u>\$ 1,848,269</u>

E. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 889,832</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	97,966
<b>Streets - Powell Bill</b>	191,735
<b>Parks and recreation</b>	17,323
<b>Working Capital/Fund Balance Policy</b>	-
<b>Remaining Fund Balance</b>	<b>\$ 582,808</b>

The Town of Kenansville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the busines of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with nine counties and forty seven other municipalities established the Eastern Carolina Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$290 to the Council during the fiscal year ended June 30, 2021.

V. Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED  
SUPPLEMENTAL FINANCIAL DATA

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

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Schedule of the Proportionate Share of the Net Pension  
Liability – Local Government Employees’ Retirement  
System

Schedule of Contributions – Local Government  
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of  
Covered Payroll - Law Enforcement Officers' Special  
Separation Allowance

Schedule of Changes in the Total OPEB Liability and  
Related Ratios

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

**Local Government Employees' Retirement System**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Board's proportion of the net pension liability (asset) (%)	0.00538%	0.0062%	0.0053%	0.6230%	0.00589%	0.00749%	0.0070%	0.00760%
Board's proportion of the net pension liability (asset) (\$)	\$ 192,250	\$ 169,863	\$ 126,446	\$ 95,177	\$ 125,006	\$ 33,615	\$ (41,164)	\$ 91,609
Board's covered-employee payroll	\$ 437,715	434,285	405,535	382,066	327,076	361,239	395,578	394183
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.92%	39.11%	31.18%	24.91%	38.22%	9.31%	( 10.41%)	23.24%
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%	94.35%

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

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

**Town of Kenansville, North Carolina  
Town of Kenansville's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 45,658	\$ 40,242	\$ 34,798	\$ 31,391	\$ 28,740	\$ 22,514	\$ 25,660	\$ 28,283
Contributions in relation to the contractually required contribution	45,658	40,242	34,798	31,391	28,740	22,514	25,660	28,283
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 439,173	\$ 437,715	\$ 434,285	\$ 405,535	\$ 382,066	\$ 327,076	\$ 361,239	\$ 395,578
Contributions as a percentage of covered-employee payroll	10.40%	9.19%	8.01%	7.74%	7.52%	6.88%	7.10%	7.14%

**Town of Kenansville, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Five Fiscal Years \***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 112,985	\$ 80,530	\$ 73,730	\$ 62,586	\$ 59,497
Service Cost	3,983	3,725	3,529	2,783	2,779
Interest on the total pension liability	3,683	2,931	2,330	2,416	2,124
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,335)	22,610	4,352	1,114	-
Changes of assumptions or other inputs	27,876	3,189	(3,411)	4,831	(1,814)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 146,192</u>	<u>\$ 112,985</u>	<u>\$ 80,530</u>	<u>\$ 73,730</u>	<u>\$ 62,586</u>

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

**Town of Kenansville, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Five Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 146,192	\$ 112,985	\$ 80,530	\$ 73,730	\$ 62,586
Covered payroll	128,392	124,302	173,655	108,045	100,836
Total pension liability as a percentage of covered payroll	113.86%	90.90%	46.37%	68.24%	62.07%

Notes to the schedules:

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

**Town of Kenansville, North Carolina**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Last Four Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 16,700	\$ 38,251	\$ 40,571	\$ 45,896
Interest	27,764	45,109	41,144	36,315
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(842)	(448,399)	2,184	(657)
Changes of assumptions	207,366	(6,131)	(69,781)	(124,894)
Benefit payments	(12,233)	(11,531)	(8,988)	(5,828)
<b>Net change in total OPEB liability</b>	238,755	(382,701)	5,130	(49,168)
<b>Total OPEB liability - beginning</b>	782,626	1,165,327	1,160,196	1,209,364
<b>Total OPEB liability - ending</b>	<u>\$ 1,021,381</u>	<u>\$ 782,626</u>	<u>\$ 1,165,326</u>	<u>\$ 1,160,196</u>
 <b>Covered payroll</b>	 439,173	 437,715	 434,285	 382,066
<b>Total OPEB liability as a percentage of covered payroll</b>	232.57%	178.80%	268.33%	303.66%

**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%



## GENERAL FUND

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The General 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.

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

		Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$		\$ 302,645	\$
Penalties and interest			1,980	
Total		310,879	304,625	(6,254)
Other taxes and licenses:				
Licenses & Fees			56,047	
Total		51,688	56,047	4,359
Unrestricted intergovernmental:				
ABC profit distribution			18,236	
Utility sales tax			247,791	
Local option sales taxes			79,648	
Telecommunications tax			7,361	
Piped natural gas			9,479	
Video programming			2,132	
Beer and wine tax			3,433	
Tax/ Other Refunds			14,159	
Total		337,510	382,239	44,729
Restricted intergovernmental:				
Federal and State grants			20,285	
Solid waste disposal tax			611	
Powell Bill allocation			29,859	
Total		64,053	50,755	(13,298)
Permits and fees:				
Zoning permit fees			700	
Police fees			3,249	
Total		3,760	3,949	189
Sales and services:				
Sanitation fees			78,044	
Park and recreation fees			1,980	
Rent			33,150	
Total		116,927	113,174	(3,753)
Miscellaneous		6,400	6,372	(28)
Investment earnings		950	2,047	1,097
Total Revenues		892,167	919,208	27,041

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries & benefits		107,606	
Town and planning board compensation		13,151	
Professional services		24,523	
Contracted services		23,310	
Operating expense		77,235	
Total general government	<u>256,914</u>	<u>245,825</u>	<u>11,089</u>
Transportation:			
Streets:			
Salaries & benefits		42,453	
Vehicle maintenance		3,203	
Other operating expenses		15,117	
Street lights		23,105	
Contracted services		26,959	
Total transportation	<u>164,816</u>	<u>110,837</u>	<u>53,979</u>
Public Safety:			
Police:			
Salaries & benefits		210,366	
Vehicle expenses		14,770	
Professional services		435	
Contracted services		14,186	
Operating expenses		27,505	
Total	<u>277,821</u>	<u>267,262</u>	<u>10,559</u>
Fire:			
Operating expense		56,411	
Contribution to Fire Department		27,589	
Total	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Total Public Safety	<u>361,821</u>	<u>351,262</u>	<u>10,559</u>
Environmental protection:			
Sanitation:			
Professional services		56,640	
County landfill tipping fee		1,765	
Capital Outlay		-	
Total environmental protection	<u>58,500</u>	<u>58,405</u>	<u>95</u>

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

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Contribution		2,270	
Operating expenditures		28,725	
Contingency		-	
Capital outlay		-	
Total culture and recreation	47,087	30,995	16,092
Debt service:			
Debt principal		30,930	
Debt interest		3,191	
Total debt service	34,186	34,121	65
Total Expenditures	923,324	831,445	91,879
Revenues over (under) expenditures	(31,157)	87,763	118,920
Other financing sources (uses):			
Proceeds from installment purchase	-	-	
Transfers (to)/from other funds	-	-	
Transfers (to)/from other funds	-	-	
Fund Balance Appropriated	31,157	-	
Total	31,157	-	(31,157)
Net change in fund balance	-	87,763	87,763
Fund balances:			
Beginning of year, July 1		802,069	
End of year, June 30		\$ 889,832	

## ENTERPRISE FUNDS

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$	\$ 547,317	\$
Water and sewer taps		7,050	
Other operating revenues		14,923	
Total	<u>710,684</u>	<u>569,290</u>	<u>(141,394)</u>
Nonoperating revenues:			
Miscellaneous	163,245	10,382	(152,863)
Interest earnings	8,500	5,025	(3,475)
Total Revenues	<u>882,429</u>	<u>584,697</u>	<u>(297,732)</u>
Expenditures:			
Water and sewer admin			
Salaries and benefits		150,923	
Professional services		2,250	
Contracted services		24,935	
Utilities		17,759	
Supplies		8,888	
Vehicles		6,086	
Repairs and maintenance		9,857	
Insurance		16,120	
Water and sewer analysis		6,124	
Other		18,658	
Total water and sewer admin	<u>486,656</u>	<u>261,600</u>	<u>225,056</u>
Water treatment and distribution			
Salaries and benefits		136,315	
Supplies		5,658	
Utilities		19,704	
Contracted services		8,621	
Repairs and maintenance		70,839	
Insurance		7,882	
Professional		418	
Water analysis		2,890	
Other operating expenditures		71,279	
Total water treatment	<u>387,843</u>	<u>323,606</u>	<u>64,237</u>

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

Debt service:			
Interest and fees		78	
Principal retirement		7,765	
Total debt service	<u>7,930</u>	<u>7,843</u>	<u>87</u>
Capital outlay:			
Sewer extensions and expansions		-	
Miscellaneous equipment		-	
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>882,429</u>	<u>593,049</u>	<u>289,380</u>
Other financing sources (uses):			
Grant from Department of Environmental	-	162,245	162,245
Transfers in (out)	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources			
(uses):	<u>-</u>	<u>162,245</u>	<u>162,245</u>
Revenues and other sources over (under)			
expenditures and other uses	\$ <u>-</u>	\$ <u>153,893</u>	\$ <u>153,893</u>

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

Revenues over expenditures \$ 153,893

Reconciling items:

Capital outlay	-
Principal payments	7,765
Depreciation	(135,155)
Change in compensated absences	85
(Increase) decrease in net pension liability	(10,298)
Increase (decrease) in deferred outflows	
of resources for pensions	77,803
(Increase) decrease in deferred inflows	
of resources for pensions	(106,521)
(Increase) decrease in OPEB liability	(109,827)
Total reconciling items	<u>(276,148)</u>

Change in net position \$ (122,255)

**Town of Kenansville, North Carolina**  
**Water and Sewer Fund - Lift Station Capital Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2021**

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Revenues-Water & Sewer Projects:					
Restricted intergovernmental:					
Grant - NCDEQ CW17518	\$ 2,118,000	\$ -	\$ -	\$ -	\$ (2,118,000)
Insurance proceeds	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>2,118,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,118,000)</u>
Expenditures-Water & Sewer Projects:					
Repairs and maintenance	500,000	-	-	-	500,000
Professional services	100,000	-	-	-	100,000
Contracted services	1,408,000	-	-	-	1,408,000
Other storm related	100,000	-	-	-	100,000
Contingency	10,000	-	-	-	10,000
Total expenditures	<u>2,118,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,118,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:					
Transfer to/from water & sewer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## OTHER SCHEDULES

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This section includes additional information on property taxes, transfers, and cash and investments.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021	\$	\$ 335,665	\$ (296,828)	\$ 38,837
2020	10,582	-	(6,270)	4,312
2019	4,950	-	(2,133)	2,817
2018	1,715	-	(383)	1,332
2017	633	-	(89)	544
2016	11,471	-	-	11,471
2015	9,122	-	(99)	9,023
2014	4,361	-	(45)	4,316
2013	3,325	-	-	3,325
2012	5,171	-	(5,171)	-
	<u>\$ 51,330</u>	<u>\$ 335,665</u>	<u>\$ (311,018)</u>	<u>\$ 75,977</u>

Ad valorem taxes receivable - net \$ 75,977

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 304,625
Reconciling items:	
Discounts, Releases, Refunds	8,373
Interest collected	<u>(1,980)</u>
Total collections and credits	<u>\$ 311,018</u>

**Town of Kenansville, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**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 year's rate	\$ 71,418,085	\$ 0.4700	\$ 335,665	\$ 297,256	\$ 38,409
Penalties				-	-
Total	<u>71,418,085</u>		<u>335,665</u>	<u>297,256</u>	<u>38,409</u>
 Total property valuation	 \$ <u>71,418,085</u>				
 Net levy			335,665	297,256	38,409
Uncollected taxes at June 30, 2021			<u>(38,837)</u>	<u>(38,837)</u>	-
Current year's taxes collected			\$ <u>296,828</u>	\$ <u>258,419</u>	\$ <u>38,409</u>
Current levy collection percentage			<u>88.43%</u>	<u>86.93%</u>	<u>100.00%</u>