

TOWN OF LIBERTY
Liberty, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2021

BOARD OF COMMISSIONERS

Tyson Nixon
Don Herndon
J.R. Beard
Terry Caviness

ADMINISTRATIVE OFFICERS

Filmore York
Mayor

Larry Coble
Mayor Pro-Tem

Scott Kidd
Town Manager

Kathy Bond
Director of Finance

**Town of Liberty
Table of Contents
June 30, 2021**

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section	
	Independent Auditors' Report	1 - 3
	Management's Discussion and Analysis	4-10
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet-Governmental Funds	13
	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
6	Statement of Fund Net Position - Proprietary Funds	17
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	18
8	Statement of Cash Flows - Proprietary Funds	19
	Notes to the Financial Statements	20-40

Required Supplemental Financial Data:

Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees’ Retirement System	41
Schedule of County Contributions – Local Government Employees’ Retirement System	42
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	43
Schedule of Total Pension Liability as a Percentage of Covered Payroll	44

Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	45-48
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet for Non-Major Governmental Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Non-Major Governmental Funds	50
Special Revenue Funds:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Capital Project Capital Reserve Fund	51
Library Permanent Fund	52
Proprietary Funds:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Water Fund	54-55
Water and Sewer Capital Reserve Fund	56
CDBG Wastewater Collection System Project Fund	57

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	58
Analysis of Current Tax Levy County-Wide Levy	59

Compliance Section:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	60-61
Schedule of Findings and Questioned Costs	62-64
Corrective Action Plan	65
Summary Schedule of Prior Audit Findings	66

FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Liberty, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Liberty ABC Board were not audited in accordance with *Government Auditing Standards*.

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 upon 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, each major fund, and the aggregate remaining fund information of the Town of Liberty, 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 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 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.

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 Liberty, North Carolina. The 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 and the are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual funds statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of the Town of Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Liberty's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Liberty's internal control over financial reporting and compliance.

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

Wilmington, North Carolina

March 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Liberty (the "Town"), we offer readers of the Town of Liberty's financial statements this narrative overview and analysis of the financial activities of the Town of Liberty 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

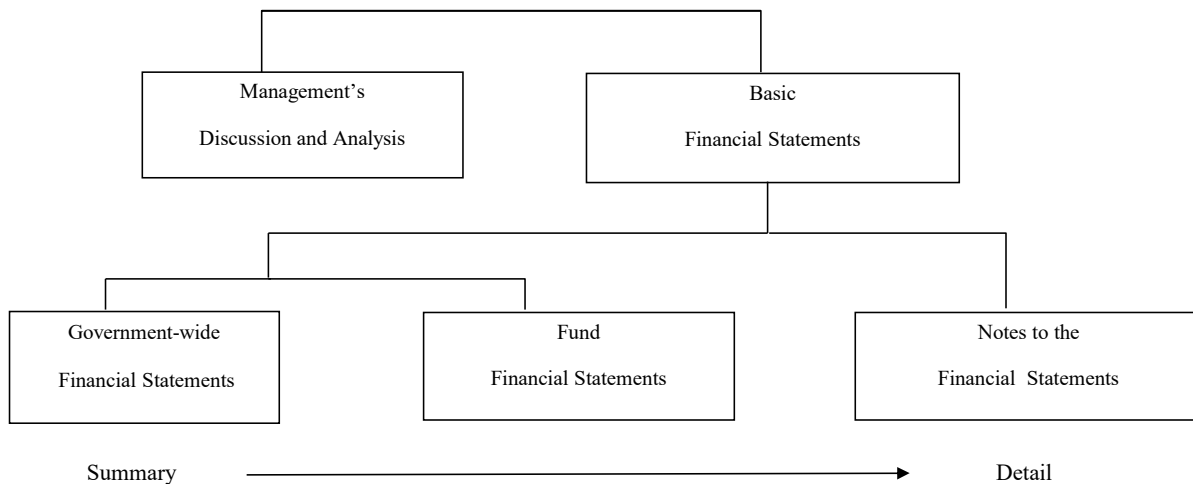
- The assets and deferred outflows of resources of the Town of Liberty exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,208,632 (net position).
- The government's total net position decreased by \$382,037.
- As of the close of the current fiscal year, the Town of Liberty's governmental fund reported an ending fund balance of \$3,466,936 with a net increase of \$49,657 in fund balance. Approximately, 30% of this total amount, or \$1,036,590, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,430,346 or 82% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

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; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town of Liberty. 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 Liberty, 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 Liberty can be divided into two categories: governmental fund 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 Liberty 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 Liberty has one kind of proprietary fund. Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Liberty uses an enterprise fund to account for its water and sewer fund activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements 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 Liberty'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.

Government-Wide Financial Analysis

Town of Liberty's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,676,252	\$ 3,585,195	\$ 1,024,291	\$ 1,594,863	\$ 4,700,543	\$ 5,180,058
Capital assets	1,324,948	1,404,727	4,488,965	4,288,975	5,813,913	5,693,702
Deferred outflows of resources	438,631	275,198	80,344	60,219	518,975	335,417
Total assets and deferred outflows of resources	5,439,831	5,265,120	5,593,600	5,944,057	11,033,431	11,209,177
Long-term liabilities outstanding	1,164,700	1,065,880	191,896	181,062	1,356,596	1,246,942
Other liabilities	319,827	144,856	128,198	207,257	448,025	352,113
Deferred inflows of resources	12,145	10,291	8,033	9,162	20,178	19,453
Total liabilities and deferred inflows of resources	1,496,672	1,221,027	328,127	397,481	1,824,799	1,618,508
Net position:						
Net investment in capital assets	1,037,024	1,070,652	4,440,451	4,234,397	5,477,475	5,305,049
Restricted	880,604	1,108,330	-	-	880,604	1,108,330
Unrestricted	2,025,531	1,865,111	825,022	1,312,179	2,850,553	3,177,290
Total net position	\$ 3,943,159	\$ 4,044,093	\$ 5,265,473	\$ 5,546,576	\$ 9,208,632	\$ 9,590,669

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 Liberty exceeded liabilities and deferred inflows by \$9,208,632 as of June 30, 2021. The Town's net position decreased by \$382,037 for the fiscal year ended June 30, 2021. However, the Town's largest portion, \$5,477,475 (59%), reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Town of Liberty uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Liberty'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 Liberty's net position of \$880,604 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,850,553 is unrestricted.

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

- Slight increase in tax revenues.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.31%.

Town of Liberty's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for services	\$ 311,229	\$ 289,494	\$ 841,966	\$ 917,046	\$ 1,153,195	\$ 1,206,540
Operating grants and contributions	81,707	106,597	-	48,250	81,707	154,847
Capital grants and contributions	-	1,014	658,723	201,341	658,723	202,355
General revenues:						
Property taxes	1,288,387	1,257,150	-	-	1,288,387	1,257,150
Local option sales tax	768,309	-	-	-	768,309	-
Other taxes	468,120	904,522	-	-	468,120	904,522
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	144,534	292,223	198	49,269	144,732	341,492
Total revenues	3,062,286	2,851,000	1,500,887	1,215,906	4,563,173	4,066,906
Expenses:						
General government	594,319	537,972	-	-	594,319	537,972
Public safety	1,548,001	1,365,079	-	-	1,548,001	1,365,079
Transportation	339,399	371,347	-	-	339,399	371,347
Environmental protection	233,859	243,895	-	-	233,859	243,895
Cultural and recreational	390,858	351,076	-	-	390,858	351,076
Economic and physical development	45,750	24,611	-	-	45,750	24,611
Interest on long-term debt	11,034	10,469	-	-	11,034	10,469
Water and sewer	-	-	1,781,990	1,213,977	1,781,990	1,213,977
Total expenses	3,163,220	2,904,449	1,781,990	1,213,977	4,945,210	4,118,426
 Increase (decrease) in net position	 (100,934)	 (53,449)	 (281,103)	 1,929	 (382,037)	 (51,520)
 Net position-beginning	 4,044,093	 4,097,542	 5,546,576	 5,544,647	 9,590,669	 9,642,189
Net position-ending	\$ 3,943,159	\$ 4,044,093	\$ 5,265,473	\$ 5,546,576	\$ 9,208,632	\$ 9,590,669

Governmental-type activities: Governmental activities decreased the Town's net position by \$100,934. Key element of this increase are as follows:

- Expenses increased by \$258,771.

Business-type activities: Business-type activities decreased the Town's net position by \$281,103. Key elements of this decrease are as follows:

- Expenses increased by \$568,013.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Liberty. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,430,346 while total fund balance reached \$3,055,687. The Town currently has an available fund balance of 82% of general fund expenditures, while total fund balance represents 103% of the same amount.

At June 30, 2021, the governmental funds of Town of Liberty reported a combined fund balance of \$3,466,936, with a net increase in fund balance of 49,657.

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 \$825,022. The total decrease in net position was \$281,103. 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 Liberty's net investment in capital assets for its governmental and business type activities as of June 30, 2021, totals \$5,813,913 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following addition:

- 2019 Dodge Ram Truck
- Portable Camera Sytem
- Fire Truck

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 192,520	\$ 192,520	\$ 39,677	\$ 39,677	\$ 232,197	\$ 232,197
Construction in progress	-	94,457	655,500	201,255	655,500	295,712
Buildings and other systems	644,403	678,354	3,615,273	3,824,624	4,259,676	4,502,978
Improvements other than buildings	128,044	56,667	4,926	6,764	132,970	63,431
Machinery and equipment	149,952	193,643	155,653	185,687	305,605	379,330
Vehicles and motorized equipment	210,029	189,086	17,936	30,968	227,965	220,054
Total	\$ 1,324,948	\$ 1,404,727	\$ 4,488,965	\$ 4,288,975	\$ 5,813,913	\$ 5,693,702

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 Liberty had total debt outstanding of \$336,438.

**Town of Liberty's Outstanding Liabilities
Figure 5**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchase	\$ 287,924	\$ 334,077	\$ 48,514	\$ 54,578	\$ 336,438	\$ 388,655
Compensated absences	92,720	107,345	18,206	23,907	110,926	131,252
Total pension liability (LEO)	297,415	188,495	-	-	443,655	291,072
Net pension liability (LERS)	610,613	435,963	146,240	102,577	756,853	538,540
Total outstanding debt	\$ 1,288,671	\$ 1,065,880	\$ 212,960	\$ 181,062	\$ 1,647,871	\$ 1,349,519

Town of Liberty Outstanding Debt

The Town of Liberty total debt decreased by \$52,217 during the past fiscal year, primarily due to principle payments.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Liberty is presently at \$15,678,214 (the amount of additional debt the Town could obligate itself under NC General Statute).

Additional information pertaining to the Town of Liberty's long-term debt can be found in the notes.

Economic Factors and Next Year's Budgets and Rates

The 2021-2022 budget year, like the previous three budget years, will continue to present challenges to the Board, management and staff as the national economy struggles to recover from recession. The tax rate continued at \$0.64/\$100 valuation however, tax revenue is expected to increase. Sales tax revenue is starting to increase as well as water usage, which increases water and sewer revenue. The budget will be monitored continuously to ensure adequate revenues are received to cover necessary expenses. Despite the economic struggles, the Town was still able to continue to increase our General Fund Balance.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities : Revenues are expected to remain at levels similar to last fiscal year.

Business-Type Activities : Water and sewer revenues are expected to remain the same during 2021-2022. There were no significant increases in budgeted expenditures compared to 2021-2022.

Request for Information

This financial report is designed to provide a general overview of the Town of Liberty's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Liberty, PO Box 1006, Liberty, NC 27298.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Town of Liberty ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,617,235	\$ 757,031	\$ 3,374,266	\$ 226,221
Receivables:				
Taxes receivable, net	19,727	-	19,727	-
Accounts receivable, net	53,090	184,035	237,125	-
Due From Other Governments	376,847	14,809	391,656	-
Inventories	1,243	-	1,243	146,944
Prepaid items	3,155	1,071	4,226	3,790
Restricted Assets:				
Cash and cash equivalents	604,955	67,345	672,300	-
Total current assets	3,676,252	1,024,291	4,700,543	376,955
Noncurrent Assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	192,520	695,177	887,697	-
Other capital assets, net of depreciation	1,132,428	3,793,788	4,926,216	25,526
Total capital assets	1,324,948	4,488,965	5,813,913	25,526
Total assets	5,001,200	5,513,256	10,514,456	402,481
DEFERRED OUTFLOWS OF RESOURCES:				
Pension deferrals - LGERS	335,414	80,344	415,758	1,237
Pension deferrals - LEO	103,217	-	103,217	-
Total deferred outflows of resources	438,631	80,344	518,975	1,237
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	183,559	37,789	221,348	117,424
Unearned Revenue	6,030	2,000	8,030	-
Accrued Interest Payable	6,266	-	6,266	-
Due Within One Year	38,972	6,064	45,036	-
Compensated absences - current	85,000	15,000	100,000	-
Payable From Restricted Assets				
Customer Deposits	-	67,345	67,345	-
Long-term liabilities				
Due in more than one year	248,952	42,450	291,402	-
Compensated absences	7,720	3,206	10,926	-
Net pension liability	610,613	146,240	756,853	-
Total pension liability	297,415	-	297,415	-
Total liabilities	1,484,527	320,094	1,804,621	117,424
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals - LGERS	5,775	8,033	13,808	2,946
Pension deferrals - LEO	6,370	-	6,370	-
Total deferred inflows of resources	12,145	8,033	20,178	2,946
NET POSITION				
Net investment in capital assets	1,037,024	4,440,451	5,477,475	25,526
Restricted:				
Cultural and Recreation	-	-	-	-
Transportation	-	-	-	-
Stabilization by State Statute	429,937	-	429,937	-
Capital Projects	191,006	-	191,006	-
Economic and Physical Development	259,661	-	259,661	-
Public Safety	-	-	-	-
Working Capital	-	-	-	41,357
Unrestricted	2,025,531	825,022	2,850,553	216,465
Total net position	\$ 3,943,159	\$ 5,265,473	\$ 9,208,632	\$ 283,348

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Liberty ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 594,319	\$ 56,493	\$ -	\$ -	\$ (537,826)	\$ -	\$ (537,826)	\$ -
Public safety	1,548,001	718	81,707	-	(1,465,576)	-	(1,465,576)	-
Transportation	339,399	-	-	-	(339,399)	-	(339,399)	-
Enviromental protection	233,859	235,822	-	-	1,963	-	1,963	-
Cultural and Recreation	390,858	18,196	-	-	(372,662)	-	(372,662)	-
Economic and Physical Development	45,750	-	-	-	(45,750)	-	(45,750)	-
Interest on long-term debt	11,034	-	-	-	(11,034)	-	(11,034)	-
Total governmental activities	3,163,220	311,229	81,707	-	(2,770,284)	-	(2,770,284)	-
Business-type activities:								
Water and Sewer	1,781,990	841,966	-	658,723	-	(281,301)	(281,301)	-
Total business-type activities	1,781,990	841,966	-	658,723	-	(281,301)	(281,301)	-
Total Primary Government	\$ 4,945,210	\$ 1,153,195	\$ 81,707	\$ 658,723	(2,770,284)	(281,301)	(3,051,585)	-
Component Unit:								
ABC Board	1,280,782	1,388,766	-	-	-	-	-	107,984
Total Component Unit	\$ 1,280,782	\$ 1,388,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,984
General revenues:								
Taxes:								
Property taxes, levied for general purpose					\$ 1,288,387	\$ -	\$ 1,288,387	\$ -
Local option sales tax					768,309	-	768,309	-
Other taxes and licenses					468,120	-	468,120	-
Investment earnings, unrestricted					338	198	536	77
Gain on Disposal of Assets					19,065	-	19,065	-
Insurance Recovery					4,633	-	4,633	-
Miscellaneous					120,498	-	120,498	-
Total general revenues					2,669,350	198	2,669,548	77
Change in net position					(100,934)	(281,103)	(382,037)	108,061
Net positions, beginning					4,044,093	5,546,576	9,590,669	175,287
Net position, ending					\$ 3,943,159	\$ 5,265,473	\$ 9,208,632	\$ 283,348

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

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

	<u>Major</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,617,235	\$ -	\$ 2,617,235
Receivables:			
Taxes receivable, net	19,727	-	19,727
Accounts receivable, net	53,090	-	53,090
Due From Other Governments	376,847	-	376,847
Inventories	1,243	-	1,243
Prepaid Items	3,155	-	3,155
Restricted Assets:			-
Cash and cash equivalents	191,006	413,949	604,955
Total assets	<u>3,262,303</u>	<u>413,949</u>	<u>3,676,252</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	180,859	2,700	183,559
Unearned Revenue	6,030	-	6,030
Total liabilities	<u>186,889</u>	<u>2,700</u>	<u>189,589</u>
Deferred Inflows of Resources:			
Property taxes receivable	19,727	-	19,727
Total deferred inflows of resources	<u>19,727</u>	<u>-</u>	<u>19,727</u>
Fund balances:			
Non Spendable:			
Inventories	1,243	-	1,243
Prepaid Assets	3,155	-	3,155
Cultural and Recreational	-	138,582	138,582
Restricted			
Stabilized by state statute	429,937	-	429,937
Economic and Physical Development	-	13,006	13,006
Streets	191,006	-	191,006
Committed:			
Capital Projects	-	259,661	259,661
Unassigned	2,430,346	-	2,430,346
Total fund balances	<u>3,055,687</u>	<u>411,249</u>	<u>3,466,936</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,262,303</u>	<u>\$ 413,949</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.	1,324,948
Deferred outflows of resources related to pensions are not reported in the funds	
LGERS	335,414
LEO	103,217
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	19,727
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(287,924)
Compensated absences	(92,720)
Accrued interest on long-term debt	(6,266)
Net pension liability	(610,613)
Total pension liability	(297,415)
Deferred inflows of resources related to pensions are not reported in the funds	
LGERS	(5,775)
LEO	(6,370)
Net position of governmental activities	<u>\$ 3,943,159</u>

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

	<u>Major</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,299,035	\$ -	\$ 1,299,035
Intergovernmental Revenues:			
Unrestricted	1,236,429	-	1,236,429
Restricted	115,528	-	115,528
Permits and fees	14,535	-	14,535
Sales and services	262,873	-	262,873
Investment earnings	277	61	338
Miscellaneous	120,498	-	120,498
Total revenues	<u>3,049,175</u>	<u>61</u>	<u>3,049,236</u>
EXPENDITURES			
Current:			
General government	562,404	-	562,404
Public safety	1,440,953	-	1,440,953
Transportation	311,817	-	311,817
Environmental protection	233,859	-	233,859
Cultural and Recreation	372,287	69	372,356
Economic and Physical Development	-	45,750	45,750
Debt service:			
Principal	46,153	-	46,153
Interest	9,985	-	9,985
Total expenditures	<u>2,977,458</u>	<u>45,819</u>	<u>3,023,277</u>
Excess (deficiency) of revenues over expenditures	<u>71,717</u>	<u>(45,758)</u>	<u>25,959</u>
Other financing sources (uses):			
Transfer From Other Funds	-	10,000	10,000
Transfer to Other Funds	(10,000)	-	(10,000)
Sale of Fixed Assets	19,065	-	19,065
Insurance Recovery	4,633	-	4,633
Total Other Financing Sources (Uses)	<u>13,698</u>	<u>10,000</u>	<u>23,698</u>
Net change in fund balance	85,415	(35,758)	49,657
Fund balances, beginning	2,970,272	447,007	3,417,279
Fund balances, ending	<u>\$ 3,055,687</u>	<u>\$ 411,249</u>	<u>\$ 3,466,936</u>

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

Amounts reported for governmental activities in the statement of activities are

Net changes in fund balance - total government funds	\$	49,657
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded the book value of capital outlay decreases in fiscal year.

Capital outlay expenditures which were capitalized	\$ 91,849		
Depreciation expense for governmental assets	<u>(171,628)</u>		(79,779)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		127,929
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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		(10,648)

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 long-term debt and related items.

Principal payments	<u>46,153</u>	46,153
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(1,049)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated absences	14,625		
Pension expense	<u>(247,822)</u>		(233,197)

Total changes in net position of governmental activities	<u>\$</u>	<u>(100,934)</u>
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Town of Liberty, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,116,800	\$ 1,116,800	\$ 1,299,035	\$ 182,235
Intergovernmental Revenues:				
Unrestricted	957,500	957,500	1,236,429	278,929
Restricted	99,600	99,600	115,528	15,928
Permits and fees	1,000	1,000	14,535	13,535
Sales and services	238,700	256,564	262,873	6,309
Investment earnings	250	250	277	27
Miscellaneous Revenue	10,800	28,128	120,498	92,370
Total revenues	<u>2,424,650</u>	<u>2,459,842</u>	<u>3,049,175</u>	<u>589,333</u>
Expenditures:				
Current:				
General government	508,097	603,117	562,404	40,713
Public safety	1,254,373	1,581,658	1,440,953	140,705
Transportation	364,048	403,678	311,817	91,861
Environmental protection	229,950	229,950	233,859	(3,909)
Cultural and recreational	352,904	441,750	372,287	69,463
Debt service:				
Principal	36,940	46,154	46,153	1
Interest	10,675	9,988	9,985	3
Total expenditures	<u>2,756,987</u>	<u>3,316,295</u>	<u>2,977,458</u>	<u>338,837</u>
Revenues over (under) expenditures	<u>(332,337)</u>	<u>(856,453)</u>	<u>71,717</u>	<u>928,170</u>
Other financing sources (uses)				
Transfers to Other Funds	108,191	92,217	(10,000)	102,217
Sale of Fixed Assets	224,146	764,236	19,065	745,171
Insurance Recovery	-	-	4,633	(4,633)
Total other financing sources and uses	<u>332,337</u>	<u>856,453</u>	<u>13,698</u>	<u>842,755</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	85,415	<u>\$ 85,415</u>
Fund balances, beginning			2,970,272	
Fund balances, ending			<u>\$ 3,055,687</u>	

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

	<u>Water and Sewer Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 757,031
Accounts receivable (net)	184,035
Due From Other Governments	14,809
Prepaid Expenses	1,071
Restricted Cash and Cash Equivalents	67,345
Total Current Assets	<u>1,024,291</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	695,177
Other capital assets, net of depreciation	3,793,788
Total Capital assets	<u>4,488,965</u>
Total Assets	<u><u>5,513,256</u></u>
Deferred Outflows of Resources	
Pension deferrals - LGERS	80,344
Total deferred outflows of resources	<u>80,344</u>
Liabilities	
Current Liabilities:	
Accounts payable & accrued liabilities	37,789
Unearned Revenues	2,000
Compensated Absences - Current	15,000
Notes Payable - Current	6,064
Payable From Restricted Assets	
Customer deposits	67,345
Total Current Liabilities	<u>128,198</u>
Noncurrent liabilities:	
Compensated absences	3,206
Net pension liability	146,240
Notes Payable - Noncurrent	42,450
Total noncurrent liabilities	<u>191,896</u>
Total Liabilities	<u><u>320,094</u></u>
Deferred Inflows of Resources	
Pension deferrals - LGERS	8,033
Total deferred inflows of resources	<u>8,033</u>
Net Position:	
Net investment in capital assets	4,440,451
Unrestricted	825,022
Total Net Position	<u><u>\$ 5,265,473</u></u>

Town of Liberty, North Carolina
Statement of Revenues and Expenditures 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	794,758
Water and sewer taps	47,200
Other operating Revenues	8
Total Operating Revenues	<u>841,966</u>
Operating expenses:	
Water and Sewer Administration	197,552
Water	511,707
Sewer	812,046
Depreciation	260,685
Total operating expenses	<u>1,781,990</u>
Total Operating Income (Loss)	<u>(940,024)</u>
Nonoperating Revenues(Expenses):	
Investment earnings	198
Capital contributions	454,158
Grants	204,565
Total Nonoperating Revenues (Expenses)	<u>658,921</u>
Changes in net position	(281,103)
Net position, beginning	5,546,576
Net position, ending	<u><u>\$ 5,265,473</u></u>

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

	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Cash Received from Customers/others	\$ 1,030,300
Cash paid for goods and services	(1,193,110)
Cash paid to employees for services	(411,610)
Net cash provided by (used for) operating activities	<u>(574,420)</u>
Cash Flows from (use by) capital and related financing activities:	
Principal Paid on Notes Payable	(6,064)
Acquisition of capital assets	(460,675)
Capital contributions	658,723
Net cash flows provided (used) by capital financing activities	<u>191,984</u>
Cash Flows From Investing Activities	
Investment Earnings	198
Net increase (decrease) in cash and cash equivalents	(382,238)
Cash and cash equivalents, beginning of year	1,206,614
Cash and cash equivalents, end of year	<u>\$ 824,376</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income	(940,024)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 260,685
Changes in Assets and Liabilities:	
(Increase) decrease in accounts receivable	188,333
(Increase) decrease in prepaids	1
Increase (decrease) in accounts payable and accrued liabilities	(120,310)
Increase (decrease) in unearned revenue	-
Increase (decrease) in customer deposits	20,190
Increase (decrease) in net pension liability	43,662
(Increase) decrease in deferred outflows of resources for pensions	(20,125)
Increase (decrease) in deferred inflows of resources for pensions	(1,131)
Increase (decrease) in accrued vacation pay	(5,701)
Net cash provided (used) by operating activities	<u>\$ (574,420)</u>

NOTES TO THE FINANCIAL STATEMENTS

Town of Liberty, 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 Liberty, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Liberty (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B. Basis of Presentation

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

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

Fund Financial Statements : The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental funds 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. Primary expenditures are for public safety, street maintenance and construction, and general administration.

The Town reports the following non-major governmental funds:

Capital Reserve Fund - This fund is used to account for future purchase of governmental assets funded by commitments by the Town council.

Downtown Revitalization Special Revenue Fund - This fund is used to account for grant funds restricted for a particular purpose.

Library Permanent Fund - This fund is used to account for contributions restricted for the funding of programs and materials for visual and hearing impaired residents.

The Town reports the following major enterprise fund:

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

The Town reports the following non-major enterprise fund:

CDBG Wastewater Collection System Project Fund - This fund is used to account for the restricted intergovernmental revenues and expenditures for the 2017 Water and Sewer Rehab Project Fund.

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 when applicable. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

Purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash is also restricted for the future purchase of governmental assets funded by commitments by the Town council. Cash is also restricted by an agreement with the U.S. Department of Justice to be used for the purchase of qualified equipment by the Town's police department. Cash is also restricted by donors for use by the Town of Liberty library. Cash is also restricted by grantor for downtown revitalization. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Liberty Restricted Cash

Governmental Activities

General Fund:

Transportation - Streets	\$ 191,006
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Other Governmental

Capital reserve	259,661
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Library permanent fund	138,582
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Downtown revitalization	15,706
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Total Governmental Activities	<u>604,955</u>
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Business-type Activities

Water and Sewer Fund

Customer Deposits	67,345
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Total Business-type Activities	<u>67,345</u>
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Total Restricted Cash	<u>\$ 672,300</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 Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as inventory when purchased and expended when consumed.

The inventory of the ABC Board consists of materials and supplies held for subsequent use. The cost of the inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. 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 depreciable using the straight-line method at the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5-15
Furniture and Fixtures	5-10
Computer Equipment	3-5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferral plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute - 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 Debt Service – certain restricted assets in the General Fund and Water and Sewer Fund represent an accumulation of cash required by USDA to have one year's payment in reserve at all times in case the payment is not made timely.

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 Liberty's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - portion of fund balance that the Town of Liberty intends to use for specific purposes.

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

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

12. Defined Benefit Cost-Sharing Plans

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

Noncompliance with North Carolina General Statutes

Timelines of audit submission

2. Contractual Violations

None reported.

B. Deficit in Fund Balance or Net Position of Individual Funds

None reported.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board in the environmental protection department by \$3,909. Town also exceeded appropriations by the board in the Library Permanent Fund by \$69.

III. Detail Notes on All Funds**A. Assets****1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 \$1,257,625 and a bank balance of \$1,263,8347. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$350.

2. Investments

At June 30, 2021, the Town of Liberty had \$2,788,591 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Allowance for Doubtful Accounts

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

General Fund:	
Accounts receivable	\$ 3,358
Water and Sewer Fund:	
Accounts Receivable	\$ 13,847
Total	\$ 17,205

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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 192,520	\$ -	\$ -	\$ 192,520
Construction in progress	94,457	-	94,457	-
Total capital assets not being depreciated	286,977	-	94,457	192,520
Capital assets being depreciated:				
Buildings	1,256,374	-	-	1,256,374
Equipment	929,805	-	-	929,805
Computer Equipment	112,745	-	-	112,745
Other improvements	382,493	94,457	-	476,950
Vehicles and motorized equipment	1,229,685	91,849	22,751	1,298,783
Total capital assets being depreciated	3,911,102	186,306	22,751	4,074,657
Less accumulated depreciation for:				
Buildings	578,020	33,951	-	611,971
Equipment	737,209	42,979	-	780,188
Computer Equipment	111,698	712	-	112,410
Other improvements	325,826	23,080	-	348,906
Vehicles and motorized equipment	1,040,599	70,906	22,751	1,088,754
Total accumulated depreciation	2,793,352	\$ 171,628	\$ 22,751	2,942,229
Total capital assets being depreciated, net	1,117,750			1,132,428
Governmental activity capital assets, net	\$ 1,404,727			\$ 1,324,948

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

General Government	\$ 17,811
Public Safety	121,374
Transportation	20,986
Cultural & Recreational	11,458
Total Depreciation Expense	<u>\$ 171,629</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type activities:				
Capital assets not being depreciated:				
Land	\$ 39,677	\$ -	\$ -	\$ 39,677
Construction in progress	201,255	454,245	-	655,500
Total capital assets not being depreciated	240,932	454,245	-	695,177
Capital assets being depreciated:				
Buildings	438,864			438,864
Plant and distribution systems	9,650,211	-	-	9,650,211
Other Improvements	56,277	-	-	56,277
Equipment	524,640	6,430	-	531,070
Computer Equipment	50,997	-	-	50,997
Vehicles	163,076	-	-	163,076
Total capital assets being depreciated	10,884,065	6,430	-	10,890,495
Less accumulated depreciation for:				
Buildings	332,151	11,919	-	344,070
Plant and distribution systems	5,932,300	197,432	-	6,129,732
Other Improvements	49,513	1,838	-	51,351
Equipment	351,183	30,629	-	381,812
Computer Equipment	38,767	5,835	-	44,602
Vehicles	132,108	13,032	-	145,140
Total accumulated depreciation	6,836,022	\$ 260,685	\$ -	7,096,707
Total capital assets being depreciated, net	4,048,043			3,793,788
Business-type Activities Capital Assets, Net	\$ 4,288,975			\$ 4,488,965

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
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 78,317	13,883	-	\$ 92,200
Total Capital Assets Being Depreciated	78,317	13,883	-	92,200
Less Accumulated Depreciation For:				
Furniture and Equipment	59,197	7,477	-	66,674
Total Accumulated Depreciation	59,197	7,477	-	66,674
ABC Capital Assets, Net	\$ 19,120	\$ 6,406	\$ -	\$ 25,526

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 of Liberty's contractually required contribution rate for the year ended June 30, 2021, was 10.21% for general employees and 10.84% for law enforcement 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 \$146,782 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 an liability of \$756,853 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.02118%, which was an increase of 0.00146% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$258,821. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,557	\$ -
Change of assumptions	56,325	-
Net difference between projected and actual earnings on pension plan investments	106,507	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	10,567	13,808
Town's contributions subsequent to the measurement date	146,782	-
Total	<u>\$ 415,738</u>	<u>\$ 13,808</u>

\$146,782 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$ 70,779
2023	95,820
2024	57,048
2025	31,501
Thereafter	-
	<u>\$ 255,148</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 pension plan investment expense, including inflation

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

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

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

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$1,535,569	\$756,853	\$109,682

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

1. *Plan Description*

The Town of Liberty 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.

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	<u>11</u>

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

Inflation	2.5 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.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in 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 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 \$297,415. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$42,860.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,588	\$ 2,095
Changes of assumptions and other inputs	94,629	4,275
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 103,217	\$ 6,370

\$0 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:

Year Ended June 30,	
2022	\$ 19,649
2023	19,917
2024	18,932
2025	17,798
2026	16,179
Thereafter	4,372
	<u>\$ 96,847</u>

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 (2.93percent) 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)	\$ 321,462	\$ 297,415	\$ 275,170

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

	2021
Beginning balance	\$ 188,495
Service Cost	12,003
Interest on the total pension liability	5,974
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,493)
Changes of assumptions or other inputs	103,939
Benefit payments	(10,503)
Other changes	-
Ending balance of the total pension liability	<u>\$ 297,415</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	258,821	42,860	301,681
Pension Liability	756,853	297,415	1,054,268
Proportionate share of the net pension liability		N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	95,557	8,588	104,145
Changes of assumptions	56,325	94,629	150,954
Net difference between projected and actual earning on plan investments	106,507	-	106,507
Changes in proportion and differences between contributions and proportionate share of contributions	10,567	-	10,567
Benefit payments and administrative costs paid subsequent to the measurement date	146,782	-	146,782
Deferred of Inflows of Resources	LGERS	LEOSSA	Total
Differences between expected and actual experience	-	2,095	2,095
Changes of assumptions	-	4,275	4,275
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,808	-	13,808

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.

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 and other employees may also make voluntary contributions to the plan.

The Town made contributions of \$10,503 for the reporting year. No amounts were forfeited.

1. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 146,782
Differences between expected and actual experience	104,145
Changes of assumptions	150,954
Net difference between projected and actual earnings on pension plan investments	106,507
Changes in proportion and differences between Town's contributions and proportionate share of contributions	10,567
Total	<u>\$ 518,955</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, Net (General Fund)	\$ -	\$ 19,727
Differences between expected and actual experience	4,275	-
Changes in assumptions	2,095	-
Changes in proportion and differences between employer contributions and proportionate share of contributions.	13,808	-
Total	<u>\$ 20,178</u>	<u>\$ 19,727</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town is not located in a flood plain, therefore, they do not carry any flood insurance.

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

4. Claims, Judgments and Contingent Liabilities

At June 30, 2021, there were no lawsuits against the Town that materiality impact its financial statements.

5. Long Term Obligations

a. Installment Loans

The Town entered into a direct borrowing financing agreement on May 22, 2015 with the Branch Banking and Trust Company (BB&T) for \$389,491 to refinance the new fire station. The financing agreement requires annual payments of \$35,912 including interest with a rate of 3.03% per annum for a 12-year term. The fire department building is pledged as collateral for the debt while the debt is outstanding.

The Town entered into a direct borrowing financing agreement on February 2, 2018 with the Capital Bank for \$100,000 to finance new fire equipment. The financing agreement requires annual payments of \$11,700 including interest with a rate of 2.9% per annum for a 10-year term. The fire department equipment is pledged as collateral for the debt while the debt is outstanding.

Annual debt service requirements to maturity for the installment loans at June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 38,972	\$ 8,640
2023	40,140	7,472
2024	41,343	6,269
2025	42,582	5,030
2026	43,858	3,754
2027-2031	81,026	3,524
	<u>\$ 287,920</u>	<u>\$ 34,689</u>

b. Notes Payable

The note payable shown in the Water and Sewer Fund consist of the balance due on a \$121,285 direct placement revolving loan from the State Water Pollution Control Revolving Loan Program for improvements to the Town's wastewater collection system. This agreement requires payments over twenty years at a rate of 0%.

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending June 30	Principal
2022	\$ 6,064
2023	6,064
2024	6,064
2025	6,064
2026	6,064
2027-2031	18,194
Total	<u>\$ 48,514</u>

At June 30, 2021, the Town of Liberty had no bonds authorized but unissued and a legal debt margin of \$15,678,214.

c. Changes in General Long-Term Liabilities

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

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21	Current Portion
Governmental activities:					
Direct Placement					
Installment Purchases	\$ 334,077	\$ -	\$ 46,153	\$ 287,924	\$ 38,972
Compensated absences	107,345	70,673	85,298	92,720	85,000
Net pension liability (LGRS)	435,963	174,650	-	610,613	-
Total pension liability (LEO)	188,495	108,920	-	297,415	-
Governmental activity long-term liabilities	<u>\$ 1,065,880</u>	<u>\$ 354,243</u>	<u>\$ 131,451</u>	<u>\$ 1,288,672</u>	<u>\$ 123,972</u>
Business-type activities:					
Direct Placement					
Installment Purchases	\$ 54,578	\$ -	\$ 6,064	\$ 48,514	\$ 6,064
Compensated absences	23,907	14,643	20,344	18,206	15,000
Net pension liability (LGRS)	102,577	43,662	-	146,240	-
Business-type activity: long-term liabilities	<u>\$ 181,062</u>	<u>\$ 58,305</u>	<u>\$ 26,408</u>	<u>\$ 212,960</u>	<u>\$ 21,064</u>

C. Interfund Balances and Activity.**Transfers To / From Other Funds**

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

From General Fund to the Downtown Revitalization Fund – to cover expenditures	\$ 10,000
Total	<u>\$ 10,000</u>

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.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,324,948	4,488,965
Less: long term debt	(287,924)	(48,514)
Net investment in capital asset	<u>\$ 1,037,024</u>	<u>\$ 4,440,451</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:

Total fund balance - General Fund	\$ 3,055,687
Less:	
Inventories	1,243
Prepaid expense	3,155
Streets - Powell Bill	191,006
Stabilization by State Statute	429,937
Remaining Fund Balance	<u>2,430,346</u>

IV. 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.

V. 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 March 10, 2023 the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions – Local Government
Employees’ Retirement System

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

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.021%	0.020%	0.020%	0.020%	0.020%	0.017%	0.016%	0.016%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 756,853	\$ 538,540	\$ 496,059	\$ 313,336	\$ 426,378	\$ 77,373	\$ (96,011)	\$ 190,451
Town's covered-employee payroll	\$ 1,319,007	\$ 1,251,508	\$ 1,197,681	\$ 1,153,150	\$ 1,028,859	\$ 967,178	\$ 993,893	\$ 947,180
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.38%	43.03%	41.42%	27.17%	41.44%	8.00%	(9.66%)	20.11%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	92.00%	64.18%	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 Liberty, North Carolina
Town of Liberty's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System								
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 146,782	\$ 120,832	\$ 99,702	\$ 92,459	\$ 85,538	\$ 71,515	\$ 68,691	\$ 71,159
Contributions in relation to the contractually required contribution	146,782	120,832	99,702	92,459	85,538	71,515	68,691	71,159
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,408,427	\$ 1,319,007	\$ 1,251,508	\$ 1,197,681	\$ 1,153,150	\$ 1,028,859	\$ 967,178	\$ 993,893
Contributions as a percentage of covered-employee payroll	10.42%	9.16%	7.97%	7.72%	7.42%	6.95%	7.10%	7.16%

Town of Liberty, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	188,495	175,085	166,018	151,526	151,515
Service Cost	12,003	8,742	9,883	8,397	8,650
Interest on the total pension liability	5,974	6,182	5,080	5,646	5,222
Differences between expected and actual experience in the measurement of the total pension liability	(2,493)	3,537	11,390	951	-
Changes of assumptions or other inputs	103,939	5,452	(6,783)	10,001	(3,358)
Benefit payments	(10,503)	(10,503)	(10,503)	(10,503)	(10,503)
Ending balance of the total pension liability	<u>\$ 297,415</u>	<u>\$ 188,495</u>	<u>\$ 175,085</u>	<u>\$ 166,018</u>	<u>\$ 151,526</u>

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

Town of Liberty, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 297,415	\$ 188,495	\$ 175,085	\$ 166,018	\$ 151,526
Covered payroll	500,116	426,776	444,563	407,930	402,336
Total pension liability as a percentage of covered payroll	59.47%	44.17%	39.38%	40.70%	37.66%

Notes to the schedules:

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

GENERAL FUND

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.

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

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Current Year Taxes		\$ 1,260,606	
Penalties and interest		5,588	
Prior Years Taxes		32,841	
Total	1,116,800	1,299,035	182,235
Intergovernmental Revenues:			
Unrestricted Intergovernmental revenues:			
Local option sales taxes		768,309	
Sales Tax Refund		14,257	
Utilities franchise tax		172,434	
ABC Distribution		27,816	
County Fire Tax		241,611	
Arrest Fees		1,051	
Beer and Wine Tax		10,951	
Total	957,500	1,236,429	278,929
Restricted Intergovernmental:			
Powell Bill allocation		81,707	
Library Supplement		12,000	
Solid waste disposal tax		2,438	
ABC Revenue		18,665	
Restricted Police Revenue		718	
Total	99,600	115,528	15,928
Permits and Fees:			
Zoning Fees		1,585	
Fees		12,950	
Total	1,000	14,535	13,535

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

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services:			
Recreational Fees		4,535	
Rents		23,293	
Cemetery Revenues		25,340	
Solid Waste Fees		208,044	
Library Revenues		1,661	
Total	256,564	262,873	6,309
Investment Earnings	250	277	27
Miscellaneous:			
Other	28,128	120,498	92,370
Total revenues	2,459,842	3,049,175	589,333
Expenditures:			
General Government:			
Governing body:			
Salaries and Employee Benefits		21,380	
Other Operating Expenditures		2,244	
Capital Outlay		-	
Total	30,587	23,624	6,963
Administration:			
Salaries and Employee Benefits		308,961	
Other Operating Expenditures		182,494	
Capital Outlay		-	
Total	519,002	491,455	27,547
Planning and Zoning			
Salaries and Employee Benefits		1,233	
Other Operating Expenditures		46,092	
Total	53,528	47,325	6,203
Total general government	603,117	562,404	40,713

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

	Final Budget	Actual	Variance Positive (Negative)
Public Safety:			
Police Department			
Salaries and Employee Benefits		739,789	
Other Operating Expenditures		146,648	
Capital Outlay		16,849	
Total	1,008,708	903,286	105,422
Fire Department:			
Salaries and Employee Benefits		371,715	
Other Operating Expenditures		90,952	
Capital Outlay		75,000	
Total	572,950	537,667	35,283
Total Public Safety	1,581,658	1,440,953	140,705
Transportation:			
Streets:			
Salaries and Employee Benefits		166,910	
Other Operating Expenditures		144,907	
Capital Outlay		-	
Total Transportation	403,678	311,817	91,861
Environmental protection:			
Sanitation:			
Other Operating Expenditures		209,178	
Total	206,450	209,178	(2,728)
Cemetery:			
Other Operating Expenditures		24,681	(1,181)
Total environmental protection	229,950	233,859	(3,909)
Cultural and recreation:			
Recreation:			
Salaries and Employee Benefits		151,259	
Other Operating Expenditures		56,838	
Total	234,678	208,097	26,581

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

	Final Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and Employee Benefits		110,898	
Other Operating Expenditures		53,292	
Capital Outlay		-	
Total	207,072	164,190	42,882
Total Cultural and Recreational	441,750	372,287	69,463
Debt Service:			
Principal		46,153	
Interest		9,985	
Total Debt Service	56,142	56,138	4
Total expenditures	3,316,295	2,977,458	338,837
Revenues over Expenditures	(856,453)	71,717	928,170
Other financing sources (uses):			
Insurance Proceeds		4,633	
Sale of Fixed Assets		19,065	
Transfers to Other Funds		(10,000)	
Total Other Financing Sources (Uses)	856,453	13,698	842,755
Appropriated Fund Balance	-		-
Net change in fund balance	\$ -	85,415	\$ 85,415
Fund balances, beginning		2,970,272	
Fund balances, ending		\$ 3,055,687	

Town of Liberty, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Fund			Capital Project Funds		
	Capital Reserve Fund	Library Permanent Fund	Total Special Revenue Funds	Downtown Revitalization Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
Assets:						
Restricted Cash	259,661	138,582	\$ 398,243	\$ 15,706	\$ 15,706	\$ 413,949
Total Assets	<u>\$ 259,661</u>	<u>\$ 138,582</u>	<u>\$ 398,243</u>	<u>\$ 15,706</u>	<u>\$ 15,706</u>	<u>\$ 413,949</u>
Liabilities and Fund Balances:						
Liabilities:						
Payable From Restricted Assets	-	-	-	2,700	\$ 2,700	\$ 2,700
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,700</u>	<u>\$ 2,700</u>	<u>\$ 2,700</u>
Fund Balances:						
Nonspendable:						
Cultural and recreational	-	138,582	138,582	-	-	138,582
Restricted:						
Economic and Physical Developmen	-	-	-	13,006	13,006	13,006
Committed						
Capital Projects	259,661	-	259,661	-	-	259,661
Total fund balances	259,661	138,582	398,243	13,006	13,006	411,249
Total liabilities and fund balances	<u>\$ 259,661</u>	<u>\$ 138,582</u>	<u>\$ 398,243</u>	<u>\$ 15,706</u>	<u>\$ 15,706</u>	<u>\$ 413,949</u>

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

	Special Revenue Fund			Capital Project Funds		
	Capital Reserve Fund	Library Permanent Fund	Total Special Revenue Funds	Downtown Revitalization Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:						
Investment earnings	\$ -	\$ 61	\$ 61	\$ -	\$ -	\$ 61
Total revenues	-	61	61	-	-	61
Expenditures:						
Economic and physical development	-	-	-	45,750	45,750	45,750
Cultural and recreational	-	69	69	-	-	69
Total Expenditures	-	69	69	45,750	45,750	45,819
Revenues Over (Under) Expenditures	-	(8)	(8)	(45,750)	(45,750)	(45,758)
Other Financing Sources (Uses):						
Transfers From Other Funds	-	-	-	10,000	10,000	10,000
Total Other Financing Sources (Uses)	-	-	-	10,000	10,000	10,000
Net Change in Fund Balances	-	(8)	(8)	(35,750)	(35,750)	(35,758)
Beginning of Year, July 1	259,661	138,590	398,251	48,756	48,756	447,007
End of Year, June 30	\$ 259,661	\$ 138,582	\$ 398,243	\$ 13,006	\$ 13,006	\$ 411,249

Town of Liberty, North Carolina
Capital Project Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Expenditures:			
Operating	\$ -	\$ -	\$ -
Total expenditures	-	-	-
Other Financing Sources (uses):			
Transfers From Other Funds	76,656	-	(76,656)
Transfers To Other Funds	(108,191)	-	108,191
Total Other Financing Sources (uses)	(31,535)	-	31,535
Appropriated Fund Balance	<u>31,535</u>	<u>-</u>	<u>(31,535)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year, July 1		<u>259,661</u>	
End of year, June 30		<u>\$259,661</u>	

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Investment Earnings	\$ -	\$ 61	\$ 61
Total revenues	-	61	61
Expenditures:			
Miscellaneous	-	69	(69)
Total expenditures	-	69	(69)
Revenues over expenditures	-	(8)	(8)
Appropriated Fund Balance	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>(8)</u>	<u>\$ (8)</u>
Fund Balance:			
Beginning of Year, July 1		138,590	
End of Year, June 30		<u>\$ 138,582</u>	

Town of Liberty, North Carolina
Downtown Revitalization Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
N.C. Department of Commerce Grant	\$ 140,000	\$ 140,000	\$ -	\$ 140,000	\$ -
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>-</u>
Expenditures:					
Economic and physical development:					
Duke Energy	116,594	68,163	-	68,163	48,431
Charter - Spectrum	10,836	10,836	-	10,836	-
Sidewalk	16,070	8,600	-	8,600	7,470
Storefront Conversion	6,500	3,645	-	3,645	2,855
Miscellaneous	-	-	2,502	2,502	(2,502)
Façade Grant	-	-	43,248	43,248	(43,248)
Total expenditures	<u>150,000</u>	<u>91,244</u>	<u>45,750</u>	<u>136,994</u>	<u>13,006</u>
Revenues over expenditures	<u>(10,000)</u>	<u>48,756</u>	<u>(45,750)</u>	<u>3,006</u>	<u>13,006</u>
Other Financing Sources:					
Transfers From Other Funds	10,000	-	10,000	10,000	48,431
Total Other Financing Sources	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>48,431</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 48,756</u>	<u>(35,750)</u>	<u>\$ 13,006</u>	<u>\$ 13,006</u>
Fund Balance:					
Beginning of Year, July 1			48,756		
End of Year, June 30			<u>\$ 13,006</u>		

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

	2021		Variance
	Final Budget	Actual	Positive (Negative)
Revenues:			
Operating Revenues			
Water and sewer sales		\$ 794,758	
Taps and connection fees		47,200	
Other Operating Revenues		8	
Total operating revenues	864,274	841,966	(22,308)
Nonoperating Revenues			
Interest Earned on Investments		198	
Golden Leaf Foundation Grant		204,565	
Total Nonoperating revenues	645,200	204,763	(440,437)
Total Revenues	1,509,474	1,046,729	(462,745)
Expenditures:			
Water and Sewer Administration:			
Salaries and Employee Benefits		81,037	
Other Operating Expenditures		116,515	
Capital Outlay		6,430	
Total operating expenditures	262,158	203,982	58,176
Water:			
Salaries and Employee Benefits		190,537	
Other Operating Expenditures		304,465	
Capital Outlay		-	
Total	661,873	495,002	166,871
Sewer:			
Salaries and Employee Benefits		150,454	
Other Operating Expenditures		661,592	
Capital Outlay		-	
Total	831,920	812,046	19,874

	Final Budget	Actual	Variance Positive (Negative)
Debt Service:			
Principal Retirement	6,065	6,064	1
Total debt service	6,065	6,064	1
Total Expenditures	1,762,016	1,517,094	244,922
Revenues Over (Under) Expenditures	(252,542)	(470,365)	(722,907)
Other Financing Sources (Uses):			
Gain on Sale of Capital Assets	3,000	-	3,000
Transfer From Other Funds	43,750	-	43,750
Transfer to Other Funds	-	-	-
Total Other Financing Sources (Uses)	46,750	-	46,750
Revenues and Other Sources Over (Under) Expenses and Other Uses	(205,792)	(470,365)	(676,157)
Appropriated Fund Balance	205,792	-	205,792
Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	(470,365)	<u>\$ (470,365)</u>

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>(470,365)</u>
Reconciling items:	
Principal retirement	6,064
Depreciation	(260,685)
Capital outlay	6,430
Capital contributions	454,158
(Increase) decrease in net pension liability	(43,662)
Increase (decrease) in deferred outflows of resources for pensions - LGERS	20,125
(Increase) decrease in deferred inflows of resources for pensions - LGERS	1,131
(Increase) decrease in accrued vacation	5,701
Total reconciling items	<u>189,262</u>
Change in net position	<u>\$ (281,103)</u>

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Earnings	\$ 200	\$ -	\$ (200)
Total revenues	<u>200</u>	<u>-</u>	<u>(200)</u>
Expenditures:			
Capital Outlay	27,750	-	27,750
Total expenditures	<u>27,750</u>	<u>-</u>	<u>27,750</u>
Revenues over expenditures	<u>(27,550)</u>	<u>-</u>	<u>27,550</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	27,550	-	(27,550)
Transfers to Other Funds	(16,000)	-	16,000
Total Other Financing Sources (Uses)	<u>11,550</u>	<u>-</u>	<u>(11,550)</u>
Appropriated Fund Balance	<u>16,000</u>	<u>-</u>	<u>(16,000)</u>
Revenues and Other Sources Over (Under) Expenditures			
Expenditures and Other Uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of Year, July 1		216,612	
End of Year, June 30		<u>\$ 216,612</u>	

Town of Liberty, North Carolina
CDBG Wastewater Collection System Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Community Development Block Grant	\$ 2,000,000	\$ 201,341	\$ 454,158	\$ 655,499	\$(1,344,501)
Expenditures:					
Administration	200,000	201,254	454,245	655,499	(455,499)
Sewer Improvements	1,788,000	-	-	-	1,788,000
Rehabilitation	18,000	-	-	-	18,000
Total Expenditures	<u>2,006,000</u>	<u>201,254</u>	<u>454,245</u>	<u>655,499</u>	<u>1,350,501</u>
Revenues Over (under) Expenditures	<u>(6,000)</u>	<u>87</u>	<u>(87)</u>	<u>-</u>	<u>6,000</u>
Other Financing Sources:					
Transfers From Other Funds:					
Water and Sewer Fund	6,000	-	-	-	(6,000)
Total Other Financing Sources	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>
Revenues and Other Financing Sources Over Expenditures	<u>\$ -</u>	<u>\$ 87</u>	<u>(87)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			87		
Fund Balance, Ending			<u>\$ -</u>		

OTHER SCHEDULES

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

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

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

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 1,277,291	\$ 1,268,465	\$ 8,826
2019-2020	18,395	-	15,157	3,238
2018-2019	5,733	-	3,918	1,815
2017-2018	2,196	-	907	1,289
2016-2017	1,820	-	767	1,053
2015-2016	1,216	-	415	801
2014-2015	897	-	63	834
2013-2014	980	-	108	872
2012-2013	771	-	336	435
2011-2012	760	-	196	564
2010-2011	607	-	607	-
	<u>\$ 33,375</u>	<u>\$ 1,277,291</u>	<u>\$ 1,290,939</u>	<u>\$ 19,727</u>
Ad Valorem taxes receivable, net				<u>19,727</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 1,299,540
Reconciling items:				
Interest collected				(8,688)
Releases, adjustments, fees				87
Total ad valorem collections				<u>\$ 1,290,939</u>

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

				Total Levy	
	Town- wide levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
Original levy:					
Property Taxes at Current Year Rate	\$ 199,576,719	\$ 0.64	\$ 1,277,291	\$ 1,133,842	\$ 143,449
Total Original Levy	199,576,719		1,277,291	1,133,842	143,449
Total for Year	<u>\$ 199,576,719</u>		1,277,291	1,133,842	143,449
Uncollected taxes at June 30, 2021			(8,826)	(8,826)	-
Current year's taxes collected			<u>\$ 1,268,465</u>	<u>\$ 1,125,016</u>	<u>\$ 143,449</u>
Current levy collection percentage			<u>99.31%</u>	<u>99.22%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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Wilmington, North Carolina 28403
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Fax (910) 239-8294

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Liberty, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Liberty's basic financial statements, and have issued our report thereon dated March 10, 2023. Our report includes a reference to other auditors who audited the financial statements of the Town of Liberty ABC Board, as described in our report on the Town of Liberty's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Liberty ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Liberty's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Liberty's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Liberty's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Liberty's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-001.

Town of Liberty Response to Findings

The Town of Liberty responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wilmington, North Carolina

March 10, 2023

Town of Liberty, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section I.	Summary of Auditor's Results
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Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified? Xyes ___no

Noncompliance material to financial
statements noted? ___yes Xno

Town of Liberty, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

2021-001 Noncompliance with Budget

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended more for the General Fund Environmental Protection Department by \$3,909 and Library Permanent Fund in the amount of \$69 than was appropriated for in the annual budget ordinance.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: The Town exceeded budget expenditures in both the General Fund and Library Permanent Fund while budget amendments were not adopted.

Identification of a repeat finding: This is a repeat finding.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town will continue to monitor the budgets monthly to ensure compliance.

SIGNIFICANT DEFICIENCY

2021-002 Failure to Perform Reconciliations of Significant Accounts

Criteria: Accounts receivable accounts and debt accounts are not reconciled to the general ledger accounts in a timely or accurate manner.

Condition: There is a lack of ability to reconcile these subsidiary ledgers to the general ledger.

Effect: Information obtained from general ledger could be incorrect.

Cause: Inadequate training with software.

Identification of a repeat finding: This is not a repeat finding.

Recommendation: The District should obtain additional training with the software vendor and evaluate the usefulness of the system.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.

Town of Liberty, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings (continued)

SIGNIFICANT DEFICIENCY

2022-003 Timeliness of Audit Report Submission

Criteria: The June 30, 2021 audit was submitted passed the required due date. This is a violation of G.S. 159-34.

Condition: The Town contracted with a new audit firm which caused delays in initial field work. Software conversion caused further delays in initial field work.

Context: The County contracted with a new audit firm and software conversion caused delays. This delayed the completion of the Town's audit.

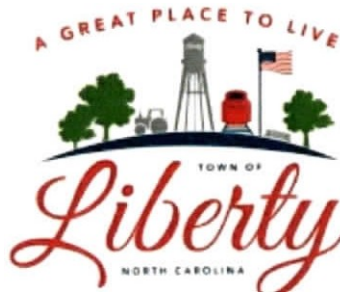
Effect: The reports are a requirement of General Statutes; lateness created the statute violation.

Cause: Initial year audit and software conversion caused delays in completing the audit.

Recommendation: The audit firm will ensure timely completion of future audits.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has already taken action.

Town of Liberty



Corrective Action Plan For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding: 2021 – 001 Noncompliance with Budget

Name of Contact Person: Kathy Bond, Director of Finance

Corrective Action: When obligations arise that exceed the amount in the approved budget ordinance, amendments to the budget will be created. These amendments will be brought to the Board when they arise for transparency and to ensure compliance.

Proposed Completion Date: Immediately.

Finding: 2021 – 002 Failure to Perform Reconciliations of Significant Accounts

Name of contact person: Kathy Bond, Director of Finance

Corrective Action: Kathy Bond will ensure Cash, Accounts Receivables, and Accounts Payables are reconciled to subsidiary ledgers.

Proposed Completion Date: Immediately.

Finding: 2021 – 003 Timeliness of Audit Report Submission

Name of contact person: Kathy Bond, Director of Finance

Corrective Action: Management will ensure timeliness of required filings.

Proposed Completion Date: Immediately.

Town of Liberty, North Carolina Summary
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Finding 2020-1 Expenditures Exceeding Appropriations
Still occurring.