

TOWN OF LILLINGTON, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2021

And Reports of Independent Auditor

TOWN OF LILLINGTON, NORTH CAROLINA

TABLE OF CONTENTS

<u>EXHIBIT</u>		<u>PAGE</u>
	Financial Section:	
	Report of Independent Auditor	1-3
	Management's Discussion and Analysis	4-14
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
1	Statement of Net Position	15
2	Statement of Activities	16
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	17
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund	20
7	Statement of Net Position – Proprietary Funds	21
8	Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds	22
9	Statement of Cash Flows – Proprietary Funds	23
	Notes to the Financial Statements	24-50
	<u>SCHEDULE</u>	
	Required Supplementary Information:	
1	Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability	51
2	Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll	52
3	Other Postemployment Benefits – Schedule of Changes in the Total OPEB Liability and Related Ratios	53
4	Local Government Employees' Retirement System – Schedule of Proportionate Share of Net Pension Liability (Asset)	54
5	Local Government Employees' Retirement System – Schedule of Contributions	55

TOWN OF LILLINGTON, NORTH CAROLINA
TABLE OF CONTENTS

<u>SCHEDULE</u>		<u>PAGE</u>
	Individual Fund Schedules:	
6	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	56-59
7	Combining Balance Sheet – Nonmajor Governmental Funds	60
8	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	61
9	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP) – Capital Project Fund – Fire Station Number 2	62
10	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP) – Capital Project Fund - River Park Phase II	63
11	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP) – Capital Project Fund - 2 nd Street Storm Water	64
12	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP) – Capital Project Fund – West Duncan St. Drainage	65
13	Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP) – Water and Sewer Fund	66-67
	Other Schedules:	
14	Schedule of Ad Valorem Taxes Receivable – General Fund	68
15	Analysis of Current Tax Levy – Town-Wide Levy	69
	Compliance Section:	
	Report on Independent Auditor 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>	70-71
	Schedule of Findings and Responses	72-73
	Corrective Action Plan	74
	Summary of Prior Year Findings	75



TOWN OF LILLINGTON

FINANCIAL SECTION

Report of Independent Auditor

To the Honorable Mayor and Town Commissioners
Town of Lillington
Lillington, 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 Lillington, North Carolina (the "Town"), 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 did not audit the financial statements of the Town of Lillington Alcoholic Beverage Control Board (the "Board"). Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board, is based solely on the report of another auditor. 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 of material misstatement. The financial statements of the 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 Town's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund schedules and other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the information is 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 April 12, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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'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 Town's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
April 12, 2023

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

As management of the Town of Lillington (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Lillington 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 Lillington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,176,744 (*net position*).
- The government's total net position decreased by \$336,638, which is due to a decrease in the governmental activities amounts to \$340,936 and increase in the enterprise type activities amounts to \$4,298. As a result of this decrease, there have been some positive improvements to our downtown parking and revitalization efforts; however, unforeseen closure of programs due to COVID-19 in 2021 also affected the Town's financial condition.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,173,152, an increase of \$39,596 in comparison with the prior year. Approximately 50.5% of this total amount, or \$1,603,144 is available for spending at the government's discretion (unassigned fund balance). Approximately 49.5% of this total amount, or \$1,570,008 is non-spendable, restricted, committed, and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,603,144 or 35.0% of total General Fund expenditures, for the fiscal year.
- At June 30, 2021, the Town's total debt was \$2,549,253. Decrease of the Town's debt was as a result of making principal payments.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 15-16) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 6. One of the most important questions asked about the Town's finances is, "Is the Town, as a whole, better or worse as a result of the year's activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

These two statements report the Town's net financial position and changes in them. Readers are encouraged to think of the Town's net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader must also consider other nonfinancial factors; however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into three kinds of activities:

- **Governmental activities**—Most of the Town's basic services are reported here, including the general administration, police, fire, public services, and parks and recreation departments. Property taxes, sales and use taxes, intergovernmental revenues (utility franchise taxes, Powell Bill, etc.), along with various federal and State grants finance most of these activities.
- **Business-type activities**—The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's utility systems (water and sewer) are reported here.
- **Component units**—The Town includes one separate legal entity in its report—the Town of Lillington ABC Board. Although legally separate, this "component unit" is important because the Town appoints the ABC Board. The Town is not financially accountable for them, even though net profits are distributed to the Town; however, the Town Board authorized, through resolution, the ABC Board to apply net profits toward their outstanding debt.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 11. The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town's two types of funds—governmental and proprietary—use different methods of accounting.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the statement of net position and the statement of activities. In fact, the Town's Enterprise Funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

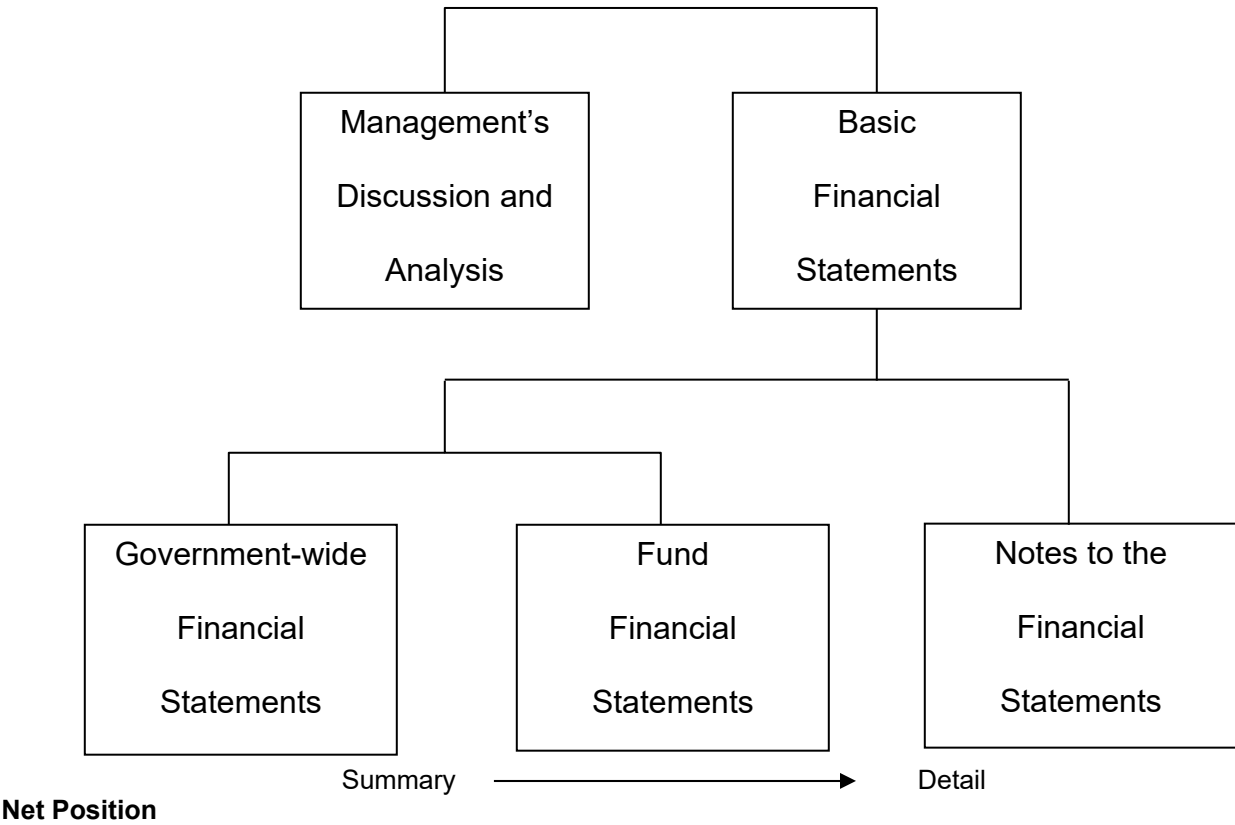
TOWN OF LILLINGTON, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2021

THE TOWN AS A WHOLE AND GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended June 30, 2021 are presented in accordance with GASB Statement (“GASBS”) No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

Required Components of Annual Financial Report
Figure 1



The Town’s combined net position increased this year to \$10,176,744 from \$10,513,382. The decrease in net position of \$336,638 from FY2020’s total of \$10,513,382 is a result of two stormwater project transfers to begin emergency repairs on these projects. Our analysis below focuses on the net financial position (Table 1), and changes in net position (Table 2) of the Town’s governmental and business-type activities.

The net position for governmental activities of \$4,720,917 decreased by \$340,936 compared to prior fiscal year. We believe this result is from a combination of several projects. The most significant factor, however, was the increased expenses associated with the two major stormwater line failures, resulting in emergency repairs needed. Restricted and unrestricted net position combined for a net decrease.

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The net position of our business-type activities increased by \$4,298 in 2021 as operating revenues outpaced expenses. Unrestricted net position in the governmental activities—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased to (\$620,100) used as a tool to leverage the need for future tax increases. The net position of the Town has remained stable even though the demand for current and enhanced services continued to rise, and the Town continues to make capital improvements to increase quality of life. Other surrounding regions, as well as ourselves, have experienced the same issues from unusually high sewer treatment due to inflow and infiltration from aged infrastructure and unforeseen natural disasters.

Town of Lillington's Net Position
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,192,715	\$ 3,209,049	\$ 1,345,531	\$ 1,688,550	\$ 4,538,246	\$ 4,897,599
Restricted assets	170,603	142,041	138,643	139,220	309,246	281,261
Capital assets	6,788,006	6,732,732	4,415,168	3,984,821	11,203,174	10,717,553
Total assets	10,151,324	10,083,822	5,899,342	5,812,591	16,050,666	15,896,413
Total deferred outflows of resources	855,536	446,580	147,511	104,269	1,003,047	550,849
Long-term liabilities outstanding	5,798,659	4,895,902	305,773	219,230	6,104,432	5,115,132
Other liabilities	365,880	433,420	283,408	242,482	649,288	675,902
Total liabilities	6,164,539	5,329,322	589,181	461,712	6,753,720	5,791,034
Total deferred inflows of resources	121,404	139,227	1,845	3,619	123,249	142,846
Net Position:						
Net investment in						
capital assets	4,238,753	3,967,172	4,415,168	3,984,821	8,653,921	7,951,993
Restricted	1,102,264	926,288	-	-	1,102,264	926,288
Unrestricted	(620,100)	168,393	1,040,659	1,466,708	420,559	1,635,101
Total Net Position	\$ 4,720,917	\$ 5,061,853	\$ 5,455,827	\$ 5,451,529	\$ 10,176,744	\$ 10,513,382

Revenues and Expenses

The Town's total revenues (excluding transfers and special items) increased by \$115,782, or 1.51%, over the previous fiscal year. Charges for services, along with other taxes, led the majority of the increase which was coupled with an increase in property taxes. Interest revenue, in both the Town's Governmental and business-type activities, experienced a decrease.

TOWN OF LILLINGTON, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Town of Lillington's Changes in Net Position
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 713,470	\$ 805,251	\$ 2,690,690	\$ 2,412,071	\$ 3,404,160	\$ 3,217,322
Operating grant and contributions	136,055	303,556	-	4,889	136,055	308,445
Capital grants and contributions	10,247	191,161	335,555	318,686	345,802	509,847
General Revenues:						
Property taxes	2,040,248	1,946,856	-	-	2,040,248	1,946,856
Other taxes	1,539,592	1,370,310	-	-	1,539,592	1,370,310
Grants and contributions not restricted to specific programs	263,150	159,000	-	-	263,150	159,000
Interest	697	34,709	464	8,530	1,161	43,239
Other	25,628	82,886	12,831	14,939	38,459	97,825
Total Revenues	<u>4,729,087</u>	<u>4,893,729</u>	<u>3,039,540</u>	<u>2,759,115</u>	<u>7,768,627</u>	<u>7,652,844</u>
Expenses:						
Governing body	161,157	187,816	-	-	161,157	187,816
Administration	709,335	587,921	-	-	709,335	587,921
Finance	512,864	455,438	-	-	512,864	455,438
Planning and inspections	214,537	196,308	-	-	214,537	196,308
Public works	740,909	901,679	-	-	740,909	901,679
Police	1,321,161	1,373,614	-	-	1,321,161	1,373,614
Fire	658,958	612,306	-	-	658,958	612,306
Streets	32,930	32,058	-	-	32,930	32,058
Parks and recreation	624,202	585,295	-	-	624,202	585,295
Interest	93,970	79,281	-	-	93,970	79,281
Water and sewer	-	-	3,035,242	2,380,042	3,035,242	2,380,042
Total Expenses	<u>5,070,023</u>	<u>5,011,716</u>	<u>3,035,242</u>	<u>2,380,042</u>	<u>8,105,265</u>	<u>7,391,758</u>
Increase in net position before transfers	(340,936)	(117,987)	4,298	379,073	(336,638)	261,086
Transfers	-	-	-	-	-	-
Increase in net position	(340,936)	(117,987)	4,298	379,073	(336,638)	261,086
Net position, July 1, previously reported	<u>5,061,853</u>	<u>5,179,840</u>	<u>5,451,529</u>	<u>5,072,456</u>	<u>10,513,382</u>	<u>10,252,296</u>
Net position, June 30	<u>\$ 4,720,917</u>	<u>\$ 5,061,853</u>	<u>\$ 5,455,827</u>	<u>\$ 5,451,529</u>	<u>\$ 10,176,744</u>	<u>\$ 10,513,382</u>

The total cost of all programs and services increased 713,507, or 9.65%, over the previous fiscal year. The Town moderated the increased demands for services and the resulting cost to Town operations in continued response to the economic growth. Results of operations show that governmental functions saw a moderate increase and the business-type activities of the water and sewer fund saw a significant increase when compared to last fiscal year.

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Several aspects of the Town's financial operations influenced the total unrestricted government net position. These are highlighted as follows:

- The Town's continued high collection of property taxes billed exceeding a tax collection rate of 99%. There was an increase of \$94,087 in ad valorem taxes.
- Sales tax increased during this fiscal year.
- Permits and fees in the Town's governmental activities increased over the past fiscal year. This was mainly due to an increase in building and zoning permits issued.
- The net position for business-type operations increased this year by \$4,298 due to increase in revenues. Harnett County ("HC") sells Lillington water and also treats the Town's wastewater. During FY2020-2021, the Town purchased 157,469,730 gallons from Harnett County compared to 73,670,026 gallons in FY2019-2020. Increased amount of water purchased resulted in an increase in water expense paid to HC of \$72,835 over prior fiscal year. HC treated 303,996,050 metered gallons of wastewater during FY2020-2021 compared to 244,882,871 metered gallons of wastewater during FY2019-2020, resulting in an increase of \$197,181 paid to HC for the treatment of wastewater over the previous fiscal year. The Town is billed for every gallon of wastewater runoff that HC is required to treat. The Town only bills its customers for usage which in FY2019-2020 was 100,387,670 gallons compared to 107,498,180 gallons billed during FY2020-2021. The Town, in continuation with the I/I Study, completed smoke testing and relining of sewer lines.

Governmental Activities

Property tax revenues increased slightly compared to the prior year. Sales tax grew moderately in addition to the property taxes. The positive news in both of these significant revenue sources is that declines experienced in the past are now trending to show the growth in the Town.

The total cost of all governmental activities this year increased by \$58,307. As shown in the statement of activities on page 16, the amount that our taxpayers ultimately finance for these activities through Town taxes was \$3,579,840, an increase of \$262,674 from the prior year.

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Town of Lillington's Governmental Activities
Table 3

	Total Cost of Services	Net Cost of Services
Governing body	\$ 161,157	\$ 161,157
Administration	709,335	709,335
Finance	512,864	512,864
Planning and inspections	214,537	147,163
Public works/streets	773,839	400,010
Police	1,321,161	1,158,630
Fire	658,958	528,902
Parks and recreation	624,202	498,220
Interest on long-term debt	93,970	93,970
Total	\$ 5,070,023	\$ 4,210,251

Cost of Services - Governmental Activities

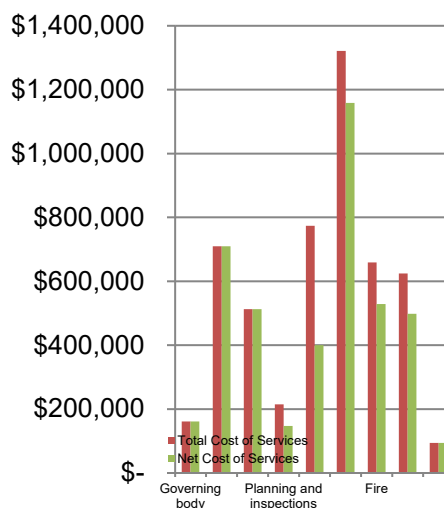


Table 3 presents the cost of each of the Town's programs—governing body, administration, finance, planning and inspections, public work streets, police, fire, and parks and recreation—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Business-Type Activities

Charges for services of the Town's business-type activities (see Table 2) increased over the past fiscal year (\$2,412,071 in 2020 compared to \$2,690,690 in 2021). The Town's water and sewer utility increased rates for the fiscal year ended June 30, 2021, and experienced an increase in operating revenues due to the rate increase and an increase in new accounts.

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Financial Analysis of the Town's Funds

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

Governmental Fund – The focus of the Town'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's financing requirements.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$1,603,144. The Town currently has an available fund balance of 35.0% of general fund expenditures.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$3,173,152, a 2.1% increase from last year.

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. However, expenditures were held in check and the Town was able to comply with its budgetary requirements, with the exception of expenditures related to the public works and recreation departments.

General Fund Revenues on the Governmental Fund Basis

Revenue Sources	Actual Amount	Percent of Total	Increase (Decrease) from 2020
Ad valorem taxes	\$ 2,037,935	43%	\$ 94,087
Other taxes and licenses	250	0%	(130)
Unrestricted intergovernmental	1,799,737	38%	273,524
Restricted intergovernmental	149,057	3%	(348,377)
Permits and fees	199,815	4%	(53,003)
Sales and services	513,655	11%	(38,778)
Investment earnings	666	0%	(33,863)
Miscellaneous	25,628	1%	(26,578)
	<u>\$ 4,726,743</u>	<u>100.0%</u>	<u>\$ (133,118)</u>

The most significant component in General Fund revenues remains to be property taxes. Property taxes for the Town increased \$94,087 compared to the previous year. The increase of \$273,524 in unrestricted intergovernmental revenue is due to increases in local option sales taxes and ABC profit distributions received. The decrease in restricted intergovernmental revenues from prior year is attributable to primarily due to a decrease in FEMA reimbursements received in the current year compared to prior year related to Hurricane Florence. The most significant changes in General Fund expenditures, when compared to the previous fiscal year, occurred in Police and Streets. In the Police Department, the majority of the changes is due to salary reimbursements received from the Coronavirus Aid, Relief, and Economic Security Act. In Streets, the change is due to a parking project that was completed in the previous fiscal year.

TOWN OF LILLINGTON, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

General Fund Expenses on the Governmental Fund Basis

Expenditure Sources	Actual Amount	Percent of Total	Increase (Decrease) from 2020
Governing body	\$ 161,157	4%	\$ (26,659)
Administration	221,890	5%	8,092
Finance	467,428	10%	47,276
Planning and inspections	186,423	4%	(55,188)
Public works	951,203	21%	(246)
Police	1,050,026	23%	(124,559)
Fire	483,783	11%	48,961
Flatwoods fire district	109,228	2%	(24,868)
Streets	61,347	1%	(177,846)
Parks and recreation	570,970	12%	90
Debt service	311,304	7%	(1,954)
	<u>\$ 4,574,759</u>	<u>100.0%</u>	<u>\$ (306,901)</u>

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,040,659. This represents a decrease of \$426,049 in unrestricted net position from the prior year.

Capital Assets and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totaled \$11,203,174 (net of accumulated depreciation). These assets include land, buildings, roads, machinery and equipment, park facilities, and vehicles.

Additional major capital asset transactions during the year include the following additions:

Governmental Activities:

• 2021 Dodge Charger	\$ 32,231
• 2020 Jeep Grand Cherokee Equipment Install	7,349
• Installation of French Drains on Lewis Field	5,800
• ABI Force Laser Ready	33,240
• Replace Fire Doors FD #1	6,384
• Rebuild Fire Pump on Engine 744	13,639
• Aluminum 22.5" Firetruck Rims	5,781
• Place Fiber from E. McNeill St to Town Hall	30,000
• New Plumbing at Ball Park Bathrooms	9,222
• HVAC Fire Station #1	8,651
• 60" Toro Mower	9,249
• 1 st St. Stormwater and Paving	171,672
• S. 1 st Street & E. Duncan St. Paving Project	28,416

TOWN OF LILLINGTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Business-Type Activities:

• CIPP Liner & Point Repair	\$ 247,870
• Sewer Jet Trailer	76,921
• Manhole Rehab #55 Fowler Circle	11,153
• Replacement of Asbestos Water Line E. Harnett St.	52,075
• Sewer Tap 702 South 6 th Street	8,500
• Harnett Street Waterline Extension	272,298
• Muffin Monster Renew	5,367
• Sewer Tap 800 South 6 th Street	13,500
• Fire Hydrant Intersection of S. 16 th & W. Front	7,483

Town of Lillington's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 671,247	\$ 671,247	\$ 149,857	\$ 149,857	\$ 821,104	\$ 821,104
Buildings and land improvement	4,610,429	4,540,572	91,691	100,144	4,702,120	4,640,716
Infrastructure	503,675	536,379	-	-	503,675	536,379
Water system	-	-	1,030,471	738,729	1,030,471	738,729
Sewer system	-	-	2,859,548	2,740,452	2,859,548	2,740,452
Data processing equipment	-	958	-	-	-	958
Equipment and machinery	521,672	553,333	228,951	190,470	750,623	743,803
Vehicles	330,787	392,466	22,081	37,669	352,868	430,135
Construction in progress	150,196	37,777	32,569	27,500	182,765	65,277
Total	\$ 6,788,006	\$ 6,732,732	\$ 4,415,168	\$ 3,984,821	\$ 11,203,174	\$ 10,717,553

Additional information on the Town's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-Term Debt – As of June 30, 2021, the Town's General Fund had total installment purchases of \$2,549,253. The Town's proprietary fund had no installment purchases as of June 30, 2021.

Town of Lillington's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment purchases	\$ 2,549,253	\$ 2,765,560	\$ -	\$ -	\$ 2,549,253	\$ 2,765,560
Total OPEB liability	1,735,457	1,128,480	-	-	1,735,457	1,128,480
Pension liabilities	1,370,246	919,358	253,749	172,540	1,623,995	1,091,898
Compensated absences	323,903	299,311	52,024	46,690	375,927	346,001
Total	\$ 5,978,859	\$ 5,112,709	\$ 305,773	\$ 219,230	\$ 6,284,632	\$ 5,331,939

The Town of Lillington's total installment debt decreased by \$216,307 during the past fiscal year.

Additional information on the Town's long-term debt can be found in Note 10 to the financial statements.

TOWN OF LILLINGTON, NORTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2021-2022 budget and tax rates that support the governmental activities and fees that will be charged for the business-type activities.

In adopting the Annual Budget for fiscal year 2021-2022, the Town realized there will always be challenges. The Town is the leading catalyst responsible for initiating and delivering on three very broadly defined community, neighborhood and economic quality of life goals:

- Create, guide, and sustain the Town as being a livable, safe, and prosperous community
- Add competitive value and quality to the services and programs provided to our citizens, businesses, and visitors through prudent and accountable financial stewardship, expanding public-private partnerships, and importantly, trusting and empowering employees to improve productivity and increase innovation, and
- Seek out and create opportunities for the Town to grow while keeping the desire of our citizens to have a high level of quality services with minimum staffing and low taxes/utility rates.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities – The revenues budgeted increased slightly over the previous year's revenues due to the economic growth the Town is beginning to experience. The Town will use these increases in revenues to finance programs that we currently have in place and for additional personnel needs. However, with the growth the Town is experiencing, the Town's fund balance is staying solid. Budgeted expenditures in the General Fund for the 2022 year are approximately 7.78% more than the 2021 budget.

Business-Type Activities – The Utility Fund Annual Budget of \$2,515,000 is 1.37% less than the 2020-2021 Annual Budget of \$2,550,000. The Town did increase water and sewer fees for the 2021-2022 fiscal year. The Town also budgeted for short-lived assets and capital improvements in the 2021-2022 fiscal year due to an increased need for replacement and repairs of infrastructure.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. You can also visit our website at www.lillingtonnc.org. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Town of Lillington
Director of Finance
P.O. Box 296
Lillington, North Carolina 27546
(910) 893-2654
lyoung@lillingtonnc.org



TOWN OF LILLINGTON

BASIC FINANCIAL STATEMENTS

TOWN OF LILLINGTON, NORTH CAROLINA
STATEMENT OF NET POSITION

EXHIBIT 1

JUNE 30, 2021

	Primary Government			Town of Lillington ABC Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,228,754	\$ 1,039,323	\$ 3,268,077	\$ 874,589
Taxes receivables (net)	15,568	-	15,568	-
Accounts receivable (net)	280,828	266,691	547,519	-
Due from other governments	650,834	-	650,834	-
Inventories	16,731	39,517	56,248	170,489
Prepaid items	-	-	-	5,900
Restricted cash and cash equivalents	141,436	138,643	280,079	-
Total Current Assets	3,334,151	1,484,174	4,818,325	1,050,978
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	29,167	-	29,167	111,073
Total Noncurrent Restricted Assets	29,167	-	29,167	111,073
Capital Assets:				
Land, non-depreciable improvements, and construction in progress	821,443	182,426	1,003,869	27,416
Other capital assets, net of depreciation	5,966,563	4,232,742	10,199,305	455,016
Total Capital Assets	6,788,006	4,415,168	11,203,174	482,432
Total Assets	10,151,324	5,899,342	16,050,666	1,644,483
DEFERRED OUTFLOWS OF RESOURCES				
OPEB deferrals	173,041	-	173,041	-
Pension deferrals	682,495	147,511	830,006	-
Total Deferred Outflow of Resources	855,536	147,511	1,003,047	-
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	171,400	144,765	316,165	531,614
Accrued interest	14,280	-	14,280	-
Customer deposits	-	138,643	138,643	-
Current portion of installment notes	180,200	-	180,200	-
Total Current Liabilities	365,880	283,408	649,288	531,614
Long-Term Liabilities:				
Total pension obligation - LEO	496,222	-	496,222	-
Net pension obligation - LGERS	874,024	253,749	1,127,773	-
Compensated absences	323,903	52,024	375,927	-
Total OPEB liability	1,735,457	-	1,735,457	-
Installment notes	2,369,053	-	2,369,053	-
Total Long-Term Liabilities	5,798,659	305,773	6,104,432	-
Total Liabilities	6,164,539	589,181	6,753,720	531,614
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	3,198	-	3,198	-
OPEB deferrals	94,987	-	94,987	-
Pension deferrals	23,219	1,845	25,064	-
Total Deferred Inflows of Resources	121,404	1,845	123,249	-
NET POSITION				
Net investment in capital assets	4,238,753	4,415,168	8,653,921	482,432
Restricted for:				
Capital improvements	-	-	-	111,073
Stabilization by State Statute	931,661	-	931,661	-
Streets	141,436	-	141,436	-
USDA debt service	29,167	-	29,167	-
Working Capital	-	-	-	87,447
Unrestricted	(620,100)	1,040,659	420,559	431,917
Total Net Position	\$ 4,720,917	\$ 5,455,827	\$ 10,176,744	\$ 1,112,869

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

TOWN OF LILLINGTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES

EXHIBIT 2

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Lillington ABC Board
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
Governing body	\$ 161,157	\$ -	\$ -	\$ -	\$ (161,157)	\$ -	\$ (161,157)	\$ -
Administration	709,335	-	-	-	(709,335)	-	(709,335)	-
Finance	512,864	-	-	-	(512,864)	-	(512,864)	-
Planning and inspection	214,537	67,374	-	-	(147,163)	-	(147,163)	-
Public works	740,909	263,602	-	-	(477,307)	-	(477,307)	-
Police	1,321,161	132,441	30,090	-	(1,158,630)	-	(1,158,630)	-
Fire	658,958	124,071	5,985	-	(528,902)	-	(528,902)	-
Streets	32,930	-	99,980	10,247	77,297	-	77,297	-
Parks and recreation	624,202	125,982	-	-	(498,220)	-	(498,220)	-
Interest on long-term debt	93,970	-	-	-	(93,970)	-	(93,970)	-
Total governmental activities (See Note 1)	5,070,023	713,470	136,055	10,247	(4,210,251)	-	(4,210,251)	-
Business-type activities:								
Water and sewer	3,035,242	2,690,690	-	335,555	-	(8,997)	(8,997)	-
Total business-type activities	3,035,242	2,690,690	-	335,555	-	(8,997)	(8,997)	-
Total primary government	\$ 8,105,265	\$ 3,404,160	\$ 136,055	\$ 345,802	(4,210,251)	(8,997)	(4,219,248)	-
Component unit:								
ABC Board	\$ 2,960,528	\$ 2,960,185	\$ -	\$ -	-	-	-	(343)
Total component unit	\$ 2,960,528	\$ 2,960,185	\$ -	\$ -	-	-	-	(343)
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					2,040,248	-	2,040,248	-
Local option sales taxes					1,203,513	-	1,203,513	-
Other taxes					336,079	-	336,079	-
Grants and contributions not restricted to specific programs					263,150	-	263,150	-
Unrestricted investment earnings					697	464	1,161	343
Miscellaneous					25,628	12,831	38,459	-
Total general revenues					3,869,315	13,295	3,882,610	343
Change in net assets					(340,936)	4,298	(336,638)	-
Net position, beginning of year					5,061,853	5,451,529	10,513,382	1,112,869
Net position, end of year					\$ 4,720,917	\$ 5,455,827	\$ 10,176,744	\$ 1,112,869

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

TOWN OF LILLINGTON, NORTH CAROLINA
BALANCE SHEET –
GOVERNMENTAL FUNDS

EXHIBIT 3

JUNE 30, 2021

	Major Fund General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,776,537	\$ 452,217	\$ 2,228,754
Restricted cash	170,603	-	170,603
Receivables (net):			
Taxes	15,568	-	15,568
Accounts	280,828	-	280,828
Due from other governments	650,834	-	650,834
Inventories	16,731	-	16,731
Total Assets	\$ 2,911,101	\$ 452,217	\$ 3,363,318
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 170,196	\$ 1,204	\$ 171,400
Total Liabilities	170,196	1,204	171,400
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	15,568	-	15,568
Prepaid taxes	3,198	-	3,198
Total Deferred Inflows of Resources	18,766	-	18,766
Fund Balances:			
Non-Spendable:			
Inventories	16,731	-	16,731
Restricted:			
Stabilization by State Statute	931,661	-	931,661
Streets	141,436	-	141,436
USDA debt service	29,167	-	29,167
Committed:			
Fire	-	26,916	26,916
Parks and recreation	-	150,453	150,453
Public works	-	273,644	273,644
Unassigned	1,603,144	-	1,603,144
Total Fund Balances	2,722,139	451,013	3,173,152
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,911,101	\$ 452,217	
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.			
Gross capital assets at historical cost		\$ 11,178,424	
Accumulated depreciation		(4,390,418)	6,788,006
Deferred outflows of resources related to pensions are not reported in the funds.			682,495
Deferred outflows of resources related to OPEB are not reported in the funds.			173,041
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			15,568
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.			
Gross long-term debt			(2,549,253)
Accrued interest on long-term debt			(14,280)
Total pension liability - LEOSSA			(496,222)
Total OPEB Liability			(1,735,457)
Compensated Absences			(323,903)
Net pension liability - LGERS			(874,024)
Deferred inflows of resources related to pensions are not reported in the funds			(23,219)
Deferred inflows of resources related to OPEB are not reported in the funds			(94,987)
Net position of governmental activities			\$ 4,720,917

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

TOWN OF LILLINGTON, NORTH CAROLINA

EXHIBIT 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2021

	Major Fund General	Total Non-Major Funds	Total Governmental Funds
REVENUES:			
Ad valorem taxes	\$ 2,037,935	\$ -	\$ 2,037,935
Other taxes and licenses	250	-	250
Unrestricted intergovernmental	1,799,737	-	1,799,737
Restricted intergovernmental	149,057	-	149,057
Permits and fees	199,815	-	199,815
Sales and services	513,655	-	513,655
Investment earnings	666	31	697
Miscellaneous	25,628	-	25,628
Total Revenues	<u>4,726,743</u>	<u>31</u>	<u>4,726,774</u>
EXPENDITURES:			
Current:			
Governing body	161,157	-	161,157
Administration	221,890	-	221,890
Finance	467,428	-	467,428
Planning and inspection	186,423	-	186,423
Public works	951,203	112,419	1,063,622
Police	1,050,026	-	1,050,026
Fire	483,783	-	483,783
Flatwoods fire district	109,228	-	109,228
Streets	61,347	-	61,347
Parks and recreation	570,970	-	570,970
Debt Service:			
Principal retirement	216,307	-	216,307
Interest and other charges	94,997	-	94,997
Total Expenditures	<u>4,574,759</u>	<u>112,419</u>	<u>4,687,178</u>
Revenues over (under) expenditures	<u>151,984</u>	<u>(112,388)</u>	<u>39,596</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	536,494	536,494
Transfers (to) other funds	(536,494)	-	(536,494)
Total Other Financing Sources (Uses)	<u>(536,494)</u>	<u>536,494</u>	<u>-</u>
Net change in fund balance	(384,510)	424,106	39,596
Fund balances, beginning of year	<u>3,106,649</u>	<u>26,907</u>	<u>3,133,556</u>
Fund balances, end of year	<u>\$ 2,722,139</u>	<u>\$ 451,013</u>	<u>\$ 3,173,152</u>

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

TOWN OF LILLINGTON, NORTH CAROLINA

EXHIBIT 5

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES***YEAR ENDED JUNE 30, 2021*

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

Net changes in fund balances - total governmental funds	\$	39,596
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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 exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	474,053	
Depreciation expense for governmental assets	<u>(418,779)</u>	55,274

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		2,312
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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 on long-term debt	216,307	
Decrease in accrued interest payable	<u>1,253</u>	217,560

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	(24,592)	
OPEB expense	(451,968)	
Pension expense	<u>(179,118)</u>	<u>(655,678)</u>

Total changes in net position of governmental activities	<u>\$</u>	<u>(340,936)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LILLINGTON, NORTH CAROLINA

EXHIBIT 6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Ad valorem taxes	\$ 1,965,000	\$ 1,965,000	\$ 2,037,935	\$ 72,935
Other taxes and licenses	-	-	250	250
Unrestricted intergovernmental	1,289,500	1,389,500	1,799,737	410,237
Restricted intergovernmental	141,900	171,900	149,057	(22,843)
Permits and fees	208,000	208,000	199,815	(8,185)
Sales and services	535,850	535,350	513,655	(21,695)
Investment earnings	33,000	33,000	666	(32,334)
Miscellaneous	37,300	27,800	25,628	(2,172)
Total Revenues	4,210,550	4,330,550	4,726,743	396,193
EXPENDITURES:				
Current:				
Governing body	164,850	749,344	161,157	588,187
Administration	222,200	224,700	221,890	2,810
Finance	470,775	485,275	467,428	17,847
Planning and inspection	156,950	191,950	186,423	5,527
Public works	791,040	982,140	951,203	30,937
Police	1,175,200	1,185,200	1,050,026	135,174
Fire	516,250	536,250	483,783	52,467
Flatwoods fire district	116,850	128,350	109,228	19,122
Streets	106,000	106,000	61,347	44,653
Parks and recreation	565,200	579,200	570,970	8,230
Debt Service:				
Principal retirement	217,000	217,000	216,307	693
Interest and other charges	103,435	103,435	94,997	8,438
Total Expenditures	4,605,750	5,488,844	4,574,759	914,085
Revenues over (under) expenditures	(395,200)	(1,158,294)	151,984	1,310,278
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	(536,494)	(536,494)
Appropriation of fund balance	395,200	1,158,294	-	(1,158,294)
Total Other Financing Sources (Uses)	395,200	1,158,294	(536,494)	(1,694,788)
Revenues and other sources over (under) expenditures and other uses	-	-	(384,510)	(384,510)
Fund balances, beginning of year	-	-	3,106,649	3,106,649
Fund balances, end of year	\$ -	\$ -	\$ 2,722,139	\$ 2,722,139

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

TOWN OF LILLINGTON, NORTH CAROLINA
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

EXHIBIT 7

JUNE 30, 2021

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,039,323
Accounts receivable (net) - billed	186,896
Accounts receivable (net) - unbilled	79,795
Inventories	39,517
Restricted cash and cash equivalents	138,643
Total Current Assets	<u>1,484,174</u>
Capital Assets:	
Land and other non-depreciable assets	182,426
Other capital assets, net of depreciation	4,232,742
Capital Assets (net)	<u>4,415,168</u>
Total Assets	<u>5,899,342</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan	147,511
Total Deferred Outflow of Resources	<u>147,511</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	144,765
Customer deposits	138,643
Total Current Liabilities	<u>283,408</u>
Noncurrent Liabilities:	
Compensated absences	52,024
Net pension liability (LGERS)	253,749
Total Noncurrent Liabilities	<u>305,773</u>
Total Liabilities	<u>589,181</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	1,845
Total Deferred Inflows of Resources	<u>1,845</u>
NET POSITION	
Net investment in capital assets	4,415,168
Unrestricted	1,040,659
Total Net Position	<u>\$ 5,455,827</u>

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

TOWN OF LILLINGTON, NORTH CAROLINA

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund
OPERATING REVENUE:	
Charges for services	\$ 2,640,504
Water and sewer taps	44,906
Other operating revenues	5,280
Total Operating Revenues	<u>2,690,690</u>
OPERATING EXPENSES:	
Water and sewer operations	2,765,353
Depreciation	269,889
Total Operating Expenses	<u>3,035,242</u>
Operating Loss	<u>(344,552)</u>
NON OPERATING REVENUE:	
Investment earnings	464
Proceeds from sale of scrap	581
Insurance recoveries	12,250
Total Nonoperating Revenue	<u>13,295</u>
Loss Before Contributions	(331,257)
Capital contribution - Golden Leaf Grant	144,793
Capital contribution - AIA Grant - Water	131,104
Capital contribution - AIA Grant - Sewer	59,658
Total Income After Contributions	<u>4,298</u>
Change in net position	<u>4,298</u>
Total net position, beginning of year	<u>5,451,529</u>
Total net position, end of year	<u><u>\$ 5,455,827</u></u>

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

TOWN OF LILLINGTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS

EXHIBIT 9

YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,697,688
Cash paid for goods and services	(2,033,720)
Cash paid to or on behalf of employees for services	(657,294)
Net customer deposits	(577)
Other operating revenues	5,280
Net cash flows from operating activities	<u>11,377</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from sale of scrap	<u>581</u>
Net cash flows from noncapital financing activities	<u>581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(700,236)
Insurance recovery	12,250
Capital Contribution - Golden Leaf Grant	144,793
Capital Contribution - AIA Grants	190,762
Net cash flows from capital and related financing activities	<u>(352,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends	<u>464</u>
Net increase in cash and cash equivalents	(340,009)
Cash and cash equivalents, beginning of year	1,517,975
Cash and cash equivalents, end of year	<u><u>\$ 1,177,966</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (344,552)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	269,889
Pension expense	36,193
Bad debt expense	29,181
Changes in assets and liabilities:	
Accounts receivable	(16,903)
Inventory	(8,691)
Accounts payable and accrued liabilities	41,503
Customer deposits	(577)
Accrued vacation pay	5,334
Total adjustments	<u>355,929</u>
Net cash flows provided by operating activities	<u><u>\$ 11,377</u></u>

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



TOWN OF LILLINGTON

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies

The accounting policies of the Town of Lillington (the “Town”) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Lillington ABC Board – The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Lillington ABC Board, Lillington, North Carolina 27501.

B. Basis of Presentation

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

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

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

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

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

The Town reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, public works, street maintenance and construction, parks and recreation and sanitation services.

The Town reports the following nonmajor governmental funds:

Capital Project Fund - Fire Station #2 – This fund is used to account for the acquisition and construction of a new fire station.

Capital Project Fund – River Park Phase II – This fund is used to account for the construction and progress of the second phase of the River Park project.

Capital Project Fund – 2nd Street Storm Water – This fund is used to account for the construction and progress of the 2nd Street storm water project.

Capital Project Fund – West Duncan St. Drainage– This fund is used to account for the construction and progress of the drainage system at West Duncan Street.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Fire Station #2 Capital Project Fund, the River Park Phase II Capital Project Fund, the 2nd Street Stormwater Capital Project Fund, and the West Duncan St. Drainage Capital Project Fund. 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 for any amount. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

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

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The Town's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Because the NCCMT government portfolio has a weight average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The Lillington Town Council on July 12, 2005 voted unanimously to divert calculated distributions from the ABC Board to the Town of Lillington and Harnett County Library from July 1, 2005 to July 1, 2011 into a reserve account for capital improvements and/or construction of a new store. Due to the bad economic climate, the Lillington Council has since extended this through the life of the note payable on the new building. The reserve amount of \$111,073 for 2021 is presented as restricted cash in the Statement of Net Position for the ABC Board.

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through G.S. 136-41.4. U.S.D.A. loan reserve requirements are recorded as restricted cash in the General Fund. Customer deposits in the Water Sewer Fund held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Governmental Activities:

General Fund:

Streets	\$ 141,436
U.S.D.A. loan reserve requirements	29,167
Total Governmental Fund	<u>170,603</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	<u>138,643</u>
Total Business-Type Activities	<u>138,643</u>
Total Restricted Cash	<u>\$ 309,246</u>

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes levied for fiscal year 2021 are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

6. Interfund transfers

As part of its normal operations, the Town performs transactions between funds. These transactions are generally recorded as interfund transfers. Interfund transfers are consolidated for government-wide financial reporting, and residual balances between governmental activities and business-type activities, if any, are reported on the government-wide statements of the Town.

7. Inventory and Prepaid Items

The inventories of the Town are recorded at the lower of cost or market and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

Certain payments by the ABC Board 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.

8. 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 \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Useful Life</u>
Buildings and structures	50 years
Infrastructure	10 - 25 years
Data processing equipment	3 years
Equipment and machinery	5 - 10 years
Vehicles	6 years

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Building and improvements	10 - 31.5 years
Equipment	5 - 10 years
Furniture	3 - 10 years

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

10. 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, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. The ABC Board employees may accumulate up to 12 days earned vacation and such leave is 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 Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement, may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

12. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

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

Restricted for USDA Debt Service – Portion of fund balance that is restricted to comply with U.S.D.A. loan reserve requirements.

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

Committed Fire Balance – Portion of fund balance that will be used for the Fire and Flatwoods Fire District.

Committed Parks and Recreation Balance – Portion of fund balance that will be used for the River Park Phase II project.

Committed Public Works Balance – Portion of fund balance that will be used for the 2nd Street Stormwater and West Duncan Street Drainage projects.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

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

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, and 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.

13. Defined Benefit Cost-Sharing Plans

The Town participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State: the Local Government Employees' Retirement System ("LGERS")) for most law enforcement officers ("LEO") employed by the Town. 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 positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net position have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. 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 the state-administered defined benefit pension plans. Investments are reported at fair value.

14. Other Postemployment Benefit Plan

The Town participates in a postemployment benefit plan ("OPEB"), the Employee Health Benefit Plan (the "Plan"). This is available to employees hired prior to July 1, 2010. The Town currently finances the Plan following a pay-as-you-go approach, paying an amount each year equal to the benefits distributed or claimed during the year. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with benefit terms.

15. Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2—Stewardship, compliance, and accountability

1. Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

All Units of Government in North Carolina are required by G.S. 159-34 to receive and submit an annual audit report to the Local Government Commission. These reports are due by statute no later than four months after the close of the unit's fiscal year, October 31st of each year. The Town's FY2021 audit was not submitted timely.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 3—Deposits and investments

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,954,224 and a bank balance of \$2,064,928. The carrying amount of deposits for the ABC Board was \$982,506 and the bank balance was \$992,954. At June 30, 2021, the Town's petty cash fund was \$210. The ABC Board had petty cash of \$3,156.

Of the Town's bank balance (including certificates of deposit), \$250,000 was covered by federal depository insurance and \$1,814,928 was covered by collateral under the Pooling Method. Of the ABC Board's bank balance, \$250,000 was covered by the federal depository insurance and \$742,954 was fully covered by the Pooling Method.

At June 30, 2021, the Town had \$1,622,889 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and Moody's Investor's Service. The Town has no policy regarding credit risk. The ABC Board had no investments.

Interest Rate Risk – The Town has no formal investment policy regarding interest rate risk.

Credit Risk – The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 4—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:	
Taxes receivable	\$ 6,298
Accounts receivable	14,357
Total General Fund	20,655
Enterprise Fund:	
Accounts receivable	71,767
Total Enterprise Fund	71,767
Total	\$ 92,422

Note 5—Capital assets

Primary Government – Capital assets 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	\$ 671,247	\$ -	\$ -	\$ 671,247
Construction in progress	37,777	112,419	-	150,196
Total Capital Assets not being Depreciated	709,024	112,419	-	821,443
Capital Assets being Depreciated:				
Buildings and structures	6,085,043	260,145	-	6,345,188
Infrastructure	821,307	-	-	821,307
Data processing equipment	81,012	-	-	81,012
Equipment and machinery	1,267,582	61,909	-	1,329,491
Vehicles	1,740,403	39,580	-	1,779,983
Total Capital Assets being Depreciated	9,995,347	361,634	-	10,356,981
Less Accumulated Depreciation For:				
Buildings and structures	1,544,471	190,288	-	1,734,759
Infrastructure	284,928	32,704	-	317,632
Data processing equipment	80,054	958	-	81,012
Equipment and machinery	714,249	93,570	-	807,819
Vehicles	1,347,937	101,259	-	1,449,196
Total Accumulated Depreciation	3,971,639	418,779	-	4,390,418
Total Capital Assets being Depreciated, net	6,023,708	(57,145)	-	5,966,563
Governmental Activities Capital Assets, net	\$ 6,732,732	\$ 55,274	\$ -	\$ 6,788,006

Depreciation expense of \$418,779 was charged to the administration function.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Capital assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 149,857	\$ -	\$ -	\$ 149,857
Construction in progress	27,500	5,069	-	32,569
Total Capital Assets not being Depreciated	177,357	5,069	-	182,426
Capital Assets being Depreciated:				
Buildings and structures	267,595	-	-	267,595
Water systems	1,453,331	331,856	-	1,785,187
Sewer systems	5,211,772	286,390	-	5,498,162
Equipment	571,542	76,921	-	648,463
Vehicles	290,502	-	-	290,502
Total Capital Assets being Depreciated	7,794,742	695,167	-	8,489,909
Less Accumulated Depreciation For:				
Buildings and structures	167,451	8,453	-	175,904
Water systems	714,602	40,114	-	754,716
Sewer systems	2,471,320	167,294	-	2,638,614
Equipment	381,072	38,440	-	419,512
Vehicles	252,833	15,588	-	268,421
Total Accumulated Depreciation	3,987,278	269,889	-	4,257,167
Total Capital Assets being Depreciated, net	3,807,464	425,278	-	4,232,742
Business-Type Activities Capital Assets, net	\$ 3,984,821	\$ 430,347	\$ -	\$ 4,415,168

Discretely Presented Component Unit – Activity for the ABC Board for the year ended June 30, 2021 was as follows:

	Cost	Accumulated Depreciation	Net Amount
Land	\$ 27,416	\$ -	\$ 27,416
Building and improvements	675,566	228,069	447,497
Furniture and equipment	105,799	98,280	7,519
Loan costs	3,285	3,285	-
Total	\$ 812,066	\$ 329,634	\$ 482,432

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations

A. Local Governmental Employees' Retirement System

Plan Description – The Town of Lillington is a participating employer in the statewide 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 (“LEO”) 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 LGERS is included in the Annual Comprehensive Financial Report (“ACFR”) for the State of North Carolina. The State’s ACFR 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town’s contractually required contribution rate for the year ended June 30, 2021 was 10.90% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$232,625 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.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

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

At June 30, 2021, the Town reported a liability of \$1,127,773 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 0.03156%, which was an increase of 0.00348% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$393,486. 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	\$ 142,418	\$ -
Changes of assumptions	83,928	-
Net difference between projected and actual earnings on pension plan investments	158,704	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	37,930	8,982
Town contributions subsequent to the measurement date	232,625	-
Total	<u>\$ 655,605</u>	<u>\$ 8,982</u>

\$232,625 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2022	\$ 116,542
2023	153,726
2024	96,762
2025	46,968
Total	<u>\$ 413,998</u>

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

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	3.00%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

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%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) 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)	<u>\$ 2,288,129</u>	<u>\$ 1,127,773</u>	<u>\$ 163,436</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

B. Law Enforcement Officers Special Separation Allowance

Plan Description – The Town administers a public employee retirement system (the "Separation Allowance"), an agent multiple-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 .85% 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 benefits 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	-
Active Plan members	<u>14</u>
Total	<u>14</u>

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

1. Summary of Significant Accounting Policies

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

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

Actuarial Assumptions – The entry age normal 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%
Salary increases	3.25 - 7.75%, including inflation
Discount rate	1.93%
Cost of living adjustment	N/A

The discount rate is based on the Standard and Poor's Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

DEATHS AFTER RETIREMENT (HEALTHY): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

DEATHS BEFORE RETIREMENT: Mortality rates are based on the Safety Mortality Table for Employees.

DEATHS AFTER RETIREMENT (BENEFICIARY): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for all ages less than 45.

DEATHS AFTER RETIREMENT (DISABLED): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

2. 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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

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 \$496,222. 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 \$55,650.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,554	\$ 8,033
Changes of assumptions and other inputs	140,847	8,049
Total	<u>\$ 174,401</u>	<u>\$ 16,082</u>

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2022	\$ 27,002
2023	27,002
2024	27,602
2025	24,334
2026	25,732
Thereafter	26,647
	<u>\$ 158,319</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 pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.93 percent) or one percentage point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 538,978	\$ 496,222	\$ 456,953

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

Total pension liability beginning balance	\$ 325,055
Changes for the year:	
Service cost at end of year	18,051
Interest	10,597
Difference between expected and actual experience in the measurement of the total pension liability	(4,202)
Changes of assumptions and other inputs	146,721
Net changes	171,167
Total pension liability ending balance	<u>\$ 496,222</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.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description – The Town contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has also elected to have employees not engaged in law enforcement to participate in the Supplemental Retirement Income Plan. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the ACFR for the State of North Carolina. The State’s ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$46,852 which consisted of \$35,309 from the Town and \$11,543 from the law enforcement officers. The Town has elected to make contributions for each non-law enforcement employee. Also, the non-law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$134,070 which consisted of \$92,051 from the Town and \$42,019 from the non-law enforcement employees.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

D. Other Postemployment Benefit

Healthcare Benefits

Plan Description – Under a Town resolution, the Town provides healthcare benefits through the Healthcare Benefits Plan (the “HCB Plan”) as a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The HCB Plan covers retirees of the Town on or after December 31, 2007 under the North Carolina Local Governmental Employees' Retirement System (the “System”) that have at least 15 years of creditable service with the Town and are actually employed by the Town at the time of retirement. The HCB Plan is available to qualified retirees at 50% to 100% until the age of 65 or until Medicare eligible, whichever is sooner. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

The Town will contribute toward the cost of group health insurance premiums up to the base plan only based on the years of service at retirement using the following schedule:

Years of Town Service at Retirement	Percentage of Premium Paid by the Town
15 - 19	50%
20 - 24	75%
25 - 29	85%
30 or more	100%

Also, the Town's retirees may continue dependent coverage (and pay the full premium cost) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the retiree or dependent becoming eligible for Medicare or upon the retiree's death.

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

Retirees and dependents receiving benefits	1
Active plan members	42
Total	43

The Town pays the cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town Council. The Town's members pay \$1,633, \$1,299, and \$2,119 per month for spousal, children, and family coverage, respectively. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The Town obtains healthcare coverage through private insurers. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

Total OPEB Liability

The Town's total OPEB liability of \$1,735,457 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases , including wage inflation	
General employees	3.50 % - 7.75%
Law enforcement employees	3.50 % - 7.35%
Discount rate	2.21%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	N/A

The discount rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index published at the last Thursday of June by the Bond Buyer and the municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2019 (prior measurement date)	\$ 1,128,480
Changes for the year:	
Service cost	72,460
Interest	41,808
Change in benefit terms	333,245
Difference between expected and actual experience	(2,927)
Changes in assumptions or other inputs	175,372
Benefit payments and implicit subsidy credit	(12,981)
Net changes	606,977
Total OPEB Liability as of June 30, 2020 (measurement date)	<u>\$ 1,735,457</u>

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, adopted by the LGERS Board.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated under a discount rate that is 1-percentage-point lower (1.21%) or one percentage point higher (3.21%) than the current healthcare discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 1,974,959	\$ 1,735,457	\$ 1,531,757

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower and 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1,543,999	\$ 1,735,457	\$ 1,966,926

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$451,968. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,925	\$ 45,781
Changes of assumptions or other inputs	170,116	49,206
Total	<u>\$ 173,041</u>	<u>\$ 94,987</u>

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Pension plan and postemployment obligations (continued)

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

Reporting Period Ending June 30:

2022	\$	4,455
2023		4,455
2024		4,455
2025		4,455
2026		4,455
Thereafter		55,779
	\$	<u>78,054</u>

E. Other Employment Benefits

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

Note 7—Deferred outflows and inflows of resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
LGERS pension deferrals	\$ 655,605
LEOSSA pension deferrals	174,401
OPEB deferrals	173,041
	<u>\$ 1,003,047</u>

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 7—Deferred outflows and inflows of resources (continued)

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

	Government Wide	General Fund
Prepaid taxes (General Fund)	\$ 3,198	\$ 3,198
Taxes receivable (General Fund)	-	15,568
OPEB deferrals	94,987	-
LGERS pension deferrals	8,982	-
LEOSSA pension deferrals	16,082	-
	<u>\$ 123,249</u>	<u>\$ 18,766</u>

Note 8—Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million and \$2 million per occurrence, respectively, property coverage up to the total insurance value of the property policy, and workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries flood insurance through the National Flood Insurance Plan ("NFIP"). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency; the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per occurrence.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

The Town of Lillington ABC Board 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 ABC Board has property, general liability, auto liability, worker's compensation, and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 9—Claims, judgments, and contingent liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Note 10—Long-term liabilities

The Town is indebted under installment purchase agreements as follows:

Serviced by the Governmental Funds:

The Town entered into a \$1,300,000 direct placement Installment Financing Contract with United States Department of Agriculture Rural Development on February 10, 2012 to obtain permanent financing for the construction of a community recreation center. The contract note provides for thirty annual payments of \$72,917, including interest at 3.75%, commencing February 10, 2013. The note is secured by the real and personal property under a deed of trust.

\$ 1,046,850

The Town entered into a \$262,400 direct placement Installment Financing Contract with First Bank on May 13, 2016 for the purchase of a 40 air packs. The contract note provides for ten annual payments of \$30,526, including interest at 2.85%, beginning on May 13, 2017 and ending May 13, 2026. The note is secured by the equipment purchased.

141,928

The Town entered into a \$1,500,000 direct placement Installment Financing Contract with Branch Banking and Trust Company (now Truist) on June 27, 2019 for the purchase and construction of facilities. The contract provides for 15 annual payments of \$100,000 beginning on June 27, 2020, including interest at 3.32%. The note is secured by the building purchased.

1,300,000

The Town entered into at \$100,000 direct placement Promissory Note with Daniel W. Denning on December 31, 2019 for the purchase and construction of Denning Parking Lot. The contract provides for 5 annual payments ranging from \$20,000 to \$21,524.69 beginning on January 10, 2020, including interest at 2.5%.

60,475

Total installment purchase agreements

\$ 2,549,253

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 10—Long-term liabilities (continued)

Annual debt service payments of the installment purchases as of June 30, 2021, including interest of \$798,063 for governmental activities are as follows:

<u>Years Ending June 30,</u>	Governmental Activities	
	Principal	Interest
2022	\$ 180,188	\$ 87,943
2023	182,846	82,598
2024	184,315	77,185
2025	166,484	66,847
2026	167,429	64,615
2027 - 2031	770,067	245,980
2032 - 2036	483,339	119,023
2037 - 2041	347,093	49,468
2042 - 2044	67,492	2,630
Total principal payments	<u>\$ 2,549,253</u>	
Total interest payments		<u>\$ 796,289</u>

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Governmental activities:					
Installment purchases (direct placement)	\$ 2,765,560	\$ -	\$ 216,307	\$ 2,549,253	\$ 180,200
Compensated absences	299,311	59,856	35,264	323,903	-
Total OPEB liability	1,128,480	606,977	-	1,735,457	-
Net pension liability (LGERS)	594,303	279,721	-	874,024	-
Total pension liability (LEO)	325,055	171,167	-	496,222	-
Governmental activities Long-term liabilities	<u>\$ 5,112,709</u>	<u>\$ 1,117,721</u>	<u>\$ 251,571</u>	<u>\$ 5,978,859</u>	<u>\$ 180,200</u>
Business-type activities:					
Net pension liability (LGERS)	\$ 172,540	\$ 81,209	\$ -	\$ 253,749	\$ -
Compensated absences	46,690	8,826	3,492	52,024	-
Business-type activities Long-Term Liabilities	<u>\$ 219,230</u>	<u>\$ 90,035</u>	<u>\$ 3,492</u>	<u>\$ 305,773</u>	<u>\$ -</u>

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

General Fund assets have and are used to satisfy net pension and OPEB liabilities.

TOWN OF LILLINGTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 11—Operating lease obligations

The Town has entered into operating leases for various office equipment for terms of five years. Rental expense under these agreements for the current year was \$18,616 for governmental activities.

Future minimum rental payments for the five years ending June 30 are as follows:

<u>Years Ending June 30,</u>	Governmental Activities
2022	\$ 10,964
2023	4,465
2024	360
	<u>\$ 15,789</u>

Note 12—Net investment in capital assets

	Governmental	Business-Type
Capital assets, net of depreciation	\$ 6,788,006	\$ 4,415,168
Less long-term debt	2,549,253	-
Net investment in capital assets	<u>\$ 4,238,753</u>	<u>\$ 4,415,168</u>

Note 13—Fund balance

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

<u>Years Ending June 30,</u>	Governmental Activities
2022	\$ 10,964
2023	4,465
2024	360
	<u>\$ 15,789</u>

The Town's fund balance policy states that the Town shall maintain an unassigned balance in the General Fund of no less than 40% of the total projected expenditures.

Note 14—Interfund Transfers

Interfund transfers at June 30, 2021 are as follows:

From General fund to Nonmajor Funds	536,494
Total	<u>\$ 536,494</u>

During the 2022 fiscal year, the Town made transfers from the General Fund to the River Park Phase II capital project fund of \$200,000 for the construction and progress of the second phase of the river park project, to the 2nd Street storm Water capital project fund for \$207,520 for the construction and progress of the 2nd street storm water project, and to the West Duncan St. Drainage capital project fund of \$128,974 for the construction and progress of the drainage system at West Duncan Street.

TOWN OF LILLINGTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 15—Summary disclosure of contingencies

Federal and State Assisted Programs – The Town has received proceeds from several federal and State grants. Periodic audit 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 any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 16—Related party transactions

Glenn McFadden is the mayor of the Town and also the system superintendent of billings and collections for Harnett County. The Town purchases its water and sewer service from Harnett County. During the year ended June 30, 2021, the Town paid Harnett County \$979,518 for these services.

William Baker, Parks and Recreation Director, is part owner of Lillington Printing-Embroidery. During the year ended June 30, 2021, the Town purchased items totaling \$12,759 from the company.

Note 17—Subsequent events

The Town has evaluated subsequent events from the date of the balance sheet through April 12, 2023, which is the date of the report of independent auditor. The Town has not evaluated subsequent events after that date.

In August 2021, the Town received federal grant funding from the American Rescue Plan Act ("ARPA") in the amount of \$582,738.



TOWN OF LILLINGTON

REQUIRED SUPPLEMENTARY INFORMATION

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

- Law Enforcement Officers' Special Separation Allowance –
Schedule of Changes in Total Pension Liability
- Law Enforcement Officers' Special Separation Allowance –
Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll
- Other Postemployment Benefits –
Schedule of Changes in the Total OPEB Liability and Related Ratios
- Local Government Employees' Retirement System –
Schedule of Proportionate Share of Net Pension Liability (Asset)
- Local Government Employees' Retirement System –
Schedule of Contributions

TOWN OF LILLINGTON, NORTH CAROLINA**SCHEDULE 1****REQUIRED SUPPLEMENTARY INFORMATION****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE –
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY****LAST FIVE YEARS**

	2021	2020	2019	2018	2017
Beginning Pension Liability	\$ 325,055	\$ 252,247	\$ 247,578	\$ 199,350	\$ 186,216
Changes for the year:					
Service cost at end of year	18,051	14,018	15,409	12,392	12,342
Interest	10,597	9,182	7,823	7,695	6,648
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	(4,202)	40,300	(7,685)	11,264	-
Changes of assumptions and other inputs	146,721	9,308	(10,878)	16,877	(5,856)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Net changes	171,167	72,808	4,669	48,228	13,134
Ending Pension Liability	<u>\$ 496,222</u>	<u>\$ 325,055</u>	<u>\$ 252,247</u>	<u>\$ 247,578</u>	<u>\$ 199,350</u>

TOWN OF LILLINGTON, NORTH CAROLINA**SCHEDULE 2****REQUIRED SUPPLEMENTARY INFORMATION****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE –
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED
EMPLOYEE PAYROLL*****LAST FIVE YEARS***

	2021	2020	2019	2018	2017
Total pension liability	\$ 496,222	\$ 325,055	\$ 252,247	\$ 247,578	\$ 199,350
Covered employee payroll	\$ 704,312	\$ 626,433	\$ 606,533	\$ 519,005	\$ 488,102
Total pension liability as a percentage of covered-empl	70.45%	51.89%	41.59%	47.70%	40.84%

Notes to the schedules:

*The Town of Lillington has no assets accumulated in a trust that meets criteria in paragraph 4 of GASBS 73 nor does the Plan provide pay related benefits.

** This is the fifth year of reporting in this format. This will eventually report more years of information.

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE 3
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS –
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR YEARS

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 72,460	\$ 49,968	\$ 51,540	\$ 55,496
Interest	41,808	32,246	28,095	23,272
Changes in benefit terms	333,245	261,665	-	-
Difference between expected and actual experience	(2,927)	(52,371)	4,326	(3,039)
Changes of assumptions or other	175,372	15,137	(30,502)	(50,322)
Benefit payments and implicit	(12,981)	(14,065)	(13,365)	(5,485)
Net change in Total OPEB Liability	606,977	292,580	40,094	19,922
Total OPEB Liability - beginning	1,128,480	835,900	795,806	775,884
Total OPEB Liability - ending	<u>\$ 1,735,457</u>	<u>\$ 1,128,480</u>	<u>\$ 835,900</u>	<u>\$ 795,806</u>
Covered-employee payroll	\$ 1,957,886	\$ 1,957,886	\$ 1,375,580	\$ 1,375,580
Total OPEB Liability as a percentage of covered-employee payroll	88.64%	57.64%	60.77%	57.85%

Note to Schedule

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

Fiscal Year	Rate
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE 4
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Lillington's proportion of the net pension liability (asset) (%)	0.03156%	0.02808%	0.02816%	0.02776%	0.02707%	0.02727%	0.02479%	0.02675%
Town of Lillington's proportion of the net pension liability (asset) (\$)	\$ 1,127,773	\$ 766,843	\$ 668,226	\$ 424,096	\$ 574,516	\$ 122,386	\$ (157,816)	\$ 298,935
Town of Lillington's covered payroll	\$ 2,041,860	\$ 1,828,061	\$ 1,566,394	\$ 1,551,012	\$ 1,393,097	\$ 1,325,081	\$ 1,265,281	\$ 1,222,812
Town of Lillington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	55.23%	41.95%	42.66%	27.34%	41.24%	9.24%	(12.47%)	24.45%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Information is not available for years prior to those presented.

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

TOWN OF LILLINGTON, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF CONTRIBUTIONS

SCHEDULE 5

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 232,625	\$ 188,429	\$ 147,000	\$ 122,060	\$ 94,893	\$ 95,061	\$ 95,194	\$ 90,534
Contributions in relation to the contractually required contribution	<u>232,625</u>	<u>188,429</u>	<u>147,000</u>	<u>122,060</u>	<u>94,893</u>	<u>95,061</u>	<u>95,194</u>	<u>90,534</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Lillington's covered payroll	\$ 2,238,384	\$ 2,041,860	\$ 1,828,061	\$ 1,566,394	\$ 1,551,012	\$ 1,393,097	\$ 1,325,081	\$ 1,265,281
Contributions as a percentage of covered payroll	10.39%	9.23%	8.04%	7.79%	6.12%	6.82%	7.17%	7.14%

* Information is not available for years prior to those presented.



TOWN OF LILLINGTON

INDIVIDUAL FUND SCHEDULES

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 6

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad Valorem Taxes:			
Taxes	\$ 1,960,000	\$ 2,031,588	\$ 71,588
Penalties and interest	5,000	6,347	1,347
Total Ad Valorem Taxes	1,965,000	2,037,935	72,935
Other Taxes and Licenses:			
Privilege licenses	-	250	250
Total Other Taxes and Licenses	-	250	250
Unrestricted Intergovernmental:			
Local option sales taxes	1,000,000	1,203,513	203,513
Utility franchise tax	325,000	317,700	(7,300)
Beer and wine tax	14,500	15,374	874
ABC profit distribution	50,000	263,150	213,150
Total Unrestricted Intergovernmental	1,389,500	1,799,737	410,237
Restricted Intergovernmental:			
Powell Bill allocation	103,500	99,980	(3,520)
Governor's Highway Safety	5,000	2,450	(2,550)
Harnett County donation	25,000	27,108	2,108
On-behalf of payments - Fire and Rescue	6,400	5,985	(415)
FEMA	30,000	10,247	(19,753)
Solid waste disposal tax	2,000	2,755	755
Controlled substance tax	-	532	532
Total Restricted Intergovernmental	171,900	149,057	(22,843)
Permits and Fees:			
Officer fees	102,000	132,441	30,441
Building inspection fees	100,000	47,680	(52,320)
Zoning permits	6,000	19,694	13,694
Total Permits and Fees	208,000	199,815	(8,185)
Sales and Services:			
Garbage fees	240,000	252,800	12,800
Building rent	15,000	3,225	(11,775)
Fire/Rescue service fees	116,350	124,071	7,721
Mowing fees	8,000	10,802	2,802
Recreation department fees	156,000	122,757	(33,243)
Total Sales and Services	535,350	513,655	(21,695)
Investment Earnings	33,000	666	(32,334)

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 6

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
REVENUES (continued):			
Miscellaneous:			
Christmas Parade	\$ 800	\$ -	\$ (800)
Miscellaneous	2,000	1,885	(115)
Miscellaneous Donations	25,000	23,743	(1,257)
Total Miscellaneous	27,800	25,628	(2,172)
Total Revenues	4,330,550	4,726,743	396,193
EXPENDITURES:			
Governing Body:			
Salaries and employee benefits	-	60,635	-
Other operating expenditures	-	100,522	-
Total Governing Body	749,344	161,157	588,187
Administration:			
Salaries and employee benefits	-	203,701	-
Other operating expenditures	-	17,230	-
Capital outlay	-	959	-
Total Administration	224,700	221,890	2,810
Finance:			
Salaries and employee benefits	-	161,384	-
Other operating expenditures	-	306,044	-
Total Finance	485,275	467,428	17,847
Planning and Inspection:			
Salaries and employee benefits	-	125,529	-
Other operating expenditures	-	60,894	-
Total Planning and Inspection	191,950	186,423	5,527
Public Works:			
Salaries and employee benefits	-	141,944	-
Utilities	-	193,573	-
Maintenance and repair	-	55,196	-
Contracted services	-	281,453	-
Capital outlay	-	228,794	-
Other operating expenditures	-	50,243	-
Total Public Works	982,140	951,203	30,937

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 6

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (continued):			
Police:			
Salaries and employee benefits	\$ -	\$ 913,710	\$ -
Vehicle maintenance	-	18,969	-
Capital outlay	-	39,580	-
Other operating expenditures	-	77,767	-
Total Police	1,185,200	1,050,026	135,174
Fire:			
Salaries and employee benefits	-	329,053	-
Vehicle maintenance	-	26,430	-
Other operating expenditures	-	128,300	-
Total Fire	536,250	483,783	52,467
Flatwoods Fire District:			
Salaries and employee benefits	-	38,772	-
Vehicle maintenance	-	18,397	-
Equipment maintenance	-	5,319	-
Other operating expenditures	-	20,937	-
Capital outlay	-	25,803	-
Total Flatwoods Fire District	128,350	109,228	19,122
Streets:			
Powell Bill	-	32,931	-
Capital outlay	-	28,416	-
Total Streets	106,000	61,347	44,653
Parks and Recreation:			
Salaries and employee benefits	-	434,198	-
Repairs and maintenance	-	37,061	-
Other operating expenditures	-	60,671	-
Capital outlay	-	39,040	-
Total Parks and Recreation	579,200	570,970	8,230
Debt Service:			
Principal retirement	217,000	216,307	693
Interest and other charges	103,435	94,997	8,438
Total Debt Service	320,435	311,304	9,131
Total Expenditures	5,488,844	4,574,759	914,085
Revenues over (under) expenditures	(1,158,294)	151,984	1,310,278

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 6

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Transfers (to) other funds	-	(536,494)	(536,494)
Appropriation of fund balance	1,158,294	-	(1,158,294)
Total Other Financing Sources (Uses)	1,158,294	(536,494)	(1,694,788)
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(384,510)</u>	<u>\$ (384,510)</u>
Fund balances, beginning		3,106,649	
Fund balances, end of year		<u>\$ 2,722,139</u>	

TOWN OF LILLINGTON, NORTH CAROLINA
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS

SCHEDULE 7

JUNE 30, 2021

	Capital Project Fund - Fire Station Number 2	Capital Project Fund - River Park Phase II	Capital Project Fund - 2nd Street Storm Water	Capital Project Fund - West Duncan St. Drainage	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 26,916	\$ 151,467	\$ 173,607	\$ 100,227	\$ 452,217
Due from other governments	-	-	-	-	-
Total Assets	<u>\$ 26,916</u>	<u>\$ 151,467</u>	<u>\$ 173,607</u>	<u>\$ 100,227</u>	<u>\$ 452,217</u>
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	1,014	123	67	1,204
Total Liabilities	<u>-</u>	<u>1,014</u>	<u>123</u>	<u>67</u>	<u>1,204</u>
Fund balances:					
Committed:					
Fire	26,916	-	-	-	26,916
Parks and recreation	-	150,453	-	-	150,453
Public works	-	-	173,484	100,160	273,644
Unassigned	-	-	-	-	-
Total Fund Balances	<u>26,916</u>	<u>150,453</u>	<u>173,484</u>	<u>100,160</u>	<u>451,013</u>
Total Liabilities and Fund Balances	<u>\$ 26,916</u>	<u>\$ 151,467</u>	<u>\$ 173,607</u>	<u>\$ 100,227</u>	<u>\$ 452,217</u>

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE 8
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**
YEAR ENDED JUNE 30, 2021

	Capital Project Fund - Fire Station Number 2	Capital Project Fund - River Park Phase II	Capital Project Fund - 2nd Street Storm Water	Capital Project Fund - West Duncan St. Drainage	Total Nonmajor Governmental Funds
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	9	20	1	1	31
Total Revenues	9	20	1	1	31
Expenditures:					
Construction	-	49,567	16,388	9,975	75,930
Pre-Construction & Engineering	-	-	17,649	18,840	36,489
Total Expenditures	-	49,567	34,037	28,815	112,419
Revenues over (under) expenditures	9	(49,547)	(34,036)	(28,814)	(112,388)
Other Financing Sources:					
Transfers from Other Funds:					
General Fund	-	200,000	207,520	128,974	536,494
Total Other Financing Sources	-	200,000	207,520	128,974	536,494
Revenues and other financing sources over expenditures	9	150,453	173,484	100,160	424,106
Fund balance, beginning of year	26,907	-	-	-	26,907
Fund balance, end of year	\$ 26,916	\$ 150,453	\$ 173,484	\$ 100,160	\$ 451,013

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 9

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – CAPITAL PROJECT FUND –
FIRE STATION NUMBER 2***FROM INCEPTION TO YEAR ENDED JUNE 30, 2021*

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Unrestricted:					
Interest on investments	\$ -	\$ 683	\$ 9	\$ 692	\$ 692
Total Revenues	-	683	9	692	692
EXPENDITURES:					
Planning and design	50,500	24,276	-	24,276	26,224
Total Expenditures	50,500	24,276	-	24,276	26,224
Revenues under expenditures	(50,500)	(23,593)	9	(23,584)	26,916
OTHER FINANCING SOURCES:					
Transfer from General Fund	50,500	50,500	-	50,500	-
Total Other Financing Sources	50,500	50,500	-	50,500	-
Revenues and other sources over expenditures	\$ -	\$ 26,907	9	\$ 26,916	\$ 26,916
Fund balance, beginning of year			26,907		
Fund balance, end of year			\$ 26,916		

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 10

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – CAPITAL PROJECT FUND –
RIVER PARK PHASE II**

FROM INCEPTION TO YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Unrestricted:					
PARTF grant	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Interest on investments	-	-	20	20	20
Total Revenues	200,000	-	20	20	(199,980)
EXPENDITURES:					
Construction	330,000	-	49,567	49,567	280,433
Pre-construction & Engineering	70,000	-	-	-	70,000
Total Expenditures	400,000	-	49,567	49,567	350,433
Revenues under expenditures	(200,000)	-	(49,547)	(49,547)	150,453
OTHER FINANCING SOURCES:					
Transfer from General Fund	200,000	-	200,000	200,000	-
Total Other Financing Sources	200,000	-	200,000	200,000	-
Revenues and other sources over expenditures	\$ -	\$ -	150,453	\$ 150,453	\$ 150,453
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 150,453		

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 11

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – CAPITAL PROJECT FUND –
2ND STREET STORM WATER***FROM INCEPTION TO YEAR ENDED JUNE 30, 2021*

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Unrestricted:					
Interest on investments	\$ -	\$ -	\$ 1	\$ 1	\$ 1
Restricted intergovernmental:					
State Disaster Relief Funds	622,561	-	-	-	(622,561)
Total Revenues	622,561	-	1	1	(622,560)
EXPENDITURES:					
Construction	810,081	-	16,388	16,388	793,693
Pre-construction & Engineering	20,000	-	17,649	17,649	2,351
Total Expenditures	830,081	-	34,037	34,037	796,044
Revenues under expenditures	(207,520)	-	(34,036)	(34,036)	173,484
OTHER FINANCING SOURCES:					
Transfer from General Fund	207,520	-	207,520	207,520	-
Total Other Financing Sources	207,520	-	207,520	207,520	-
Revenues and other sources over expenditures	\$ -	\$ -	173,484	\$ 173,484	\$ 173,484
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 173,484		

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE 12

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – CAPITAL PROJECT FUND –
WEST DUNCAN ST. DRAINAGE***FROM INCEPTION TO YEAR ENDED JUNE 30, 2021*

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Unrestricted:					
Interest on investments	\$ -	\$ -	\$ 1	\$ 1	\$ 1
Restricted intergovernmental:					
State disaster relief funds	386,921	-	-	-	(386,921)
Total Revenues	386,921	-	1	1	(386,920)
EXPENDITURES:					
Construction	495,895	-	9,975	9,975	485,920
Pre-construction & Engineering	20,000	-	18,840	18,840	1,160
Total Expenditures	515,895	-	28,815	28,815	487,080
Revenues under expenditures	(128,974)	-	(28,814)	(28,814)	100,160
OTHER FINANCING SOURCES:					
Transfer from General Fund	128,974	-	128,974	128,974	-
Total Other Financing Sources	128,974	-	128,974	128,974	-
Revenues and other sources over expenditures	\$ -	\$ -	100,160	\$ 100,160	\$ 100,160
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 100,160		

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET TO ACTUAL (NON-GAAP) –
WATER AND SEWER FUND

SCHEDULE 13

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Water sales	\$ 1,010,000	\$ 1,194,852	\$ 184,852
Sewer charges	1,125,000	1,253,212	128,212
Service fees	45,000	82,972	37,972
Water capacity fees	15,000	28,000	13,000
Sewer capacity fees	15,000	81,468	66,468
Total	2,210,000	2,640,504	430,504
Water and sewer taps	4,500	44,906	40,406
Other Operating Revenues:			
Late fees and reconnections	6,500	5,280	(1,220)
Total Other Operating Revenues	6,500	5,280	(1,220)
Total Operating Revenues	2,221,000	2,690,690	469,690
Nonoperating Revenues:			
Proceeds from sale of scrap	-	581	581
Golden Leaf Grant -capital contribution	144,000	144,793	793
Insurance recoveries	11,750	12,250	500
Interest earnings	7,000	464	(6,536)
AIA grant - water	150,000	131,104	(18,896)
AIA grant - sewer	150,000	59,658	(90,342)
Total Nonoperating Revenue	462,750	348,850	(4,662)
Total Revenues	2,683,750	3,039,540	465,028
EXPENDITURES:			
Water and Sewer Operations:			
Salaries and employee benefits	-	709,051	-
Maintenance	-	174,036	-
Water purchases	-	412,622	-
Wastewater treatment	-	699,191	-
Capital outlay	-	700,236	-
Other operating expenditures	-	705,079	-
Total Expenditures	3,609,750	3,400,215	209,535
OTHER FINANCING SOURCES (USES):			
Appropriation of fund balance	926,000	-	(926,000)
Total Other Financing Sources (Uses)	926,000	-	(926,000)
Revenues and other sources over expenditures and other uses	\$ -	\$ (360,675)	\$ (360,675)

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET TO ACTUAL (NON-GAAP) –
WATER AND SEWER FUND (CONTINUED)

SCHEDULE 13

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (360,675)	
Reconciling items:			
Capital outlay		700,236	
Depreciation		(269,889)	
Increase in deferred outflow of resources - pension		43,242	
Decrease in deferred inflow of resources - pension		1,774	
Increase in pension liability		(81,209)	
Bad debt expense		(29,181)	
Total Reconciling Items		364,973	
Change in Net Position		\$ 4,298	



TOWN OF LILLINGTON

OTHER SCHEDULES

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable – General Fund
- Analysis of Current Tax Levy – Town-Wide Levy

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE – GENERAL FUND

SCHEDULE 14

YEAR ENDED JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 2,040,841	\$ 2,031,425	9,416
2019-2020	7,484	-	4,157	3,327
2018-2019	1,048	-	46	1,002
2017-2018	938	-	7	931
2016-2017	1,237	-	197	1,040
2015-2016	1,353	-	-	1,353
2014-2015	1,025	-	-	1,025
2013-2014	1,278	-	29	1,249
2012-2013	1,970	-	95	1,875
2011-2012	803	-	155	648
2010-2011	341	-	341	-
	<u>\$ 17,477</u>	<u>\$ 2,040,841</u>	<u>\$ 2,036,452</u>	<u>21,866</u>
Less allowance for uncollectible accounts:				
General Fund				<u>(6,298)</u>
Ad valorem taxes receivable - net				<u>\$ 15,568</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 2,037,935</u>
Reconciling items:				
Interest collected				(3,624)
Miscellaneous				1,800
Taxes written off				<u>341</u>
Subtotal				<u>(1,483)</u>
Total collections and credits				<u>\$ 2,036,452</u>

TOWN OF LILLINGTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY – TOWN-WIDE LEVY

SCHEDULE 15

YEAR ENDED JUNE 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current:					
Real and personal property	\$ 392,342,885	\$ 0.52	\$ 2,040,183	\$ 1,730,205	\$ 309,978
Penalties	-	-	4,295	4,295	-
Total	392,342,885	0.52	2,044,478	1,734,500	309,978
Discoveries:					
Current year taxes	225,385	0.52	1,172	1,172	-
Penalties	-		275	275	-
Abatements	(977,692)	0.52	(5,084)	(5,084)	-
Total	<u>\$ 391,590,578</u>		<u>2,040,841</u>	<u>1,730,863</u>	<u>309,978</u>
Net levy			2,040,841	1,730,863	309,978
Uncollected taxes at June 30, 2021			(9,416)	(9,416)	-
Current year's taxes collected			<u>\$ 2,031,425</u>	<u>\$ 1,721,447</u>	<u>\$ 309,978</u>
Current levy collection percentage			<u>99.54%</u>	<u>99.46%</u>	<u>100%</u>



TOWN OF LILLINGTON

COMPLIANCE SECTION

**Report of Independent Auditor 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**

To the Honorable Mayor and
Town Commissioners
Town of Lillington, North Carolina

We have audited, in accordance with the 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, the 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 Lillington, North Carolina (the "Town"), 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, and have issued our report thereon dated April 12, 2023. Our report includes a reference to another auditor, who audited the financial statements of the Town of Lillington Alcoholic Beverage Control Board (the "ABC Board"), as described in our report on the Town's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by the other auditor. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Town'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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be a material weakness: 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's basic 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 financial statement. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-002.

Town's Response to Findings

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

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 results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Raleigh, North Carolina
April 12, 2023

TOWN OF LILLINGTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2021

SECTION I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- | | | |
|--|-------------------|----------------------------|
| - Material weakness identified | <u> X </u> Yes | <u> </u> No |
| - Significant deficiency identified that is not considered to be a material weakness | <u> </u> Yes | <u> X </u> None reported |
| - Noncompliance material to financial statements noted | <u> </u> Yes | <u> X </u> No |

SECTION II – Financial Statement Findings

Material Weakness

Finding 2021-001: Financial Reporting

Criteria: Management should have sufficient controls over financial reporting such that the financial statements are materially correct without proposed audit adjustments.

Condition: During the audit, several material audit adjustments were proposed to management. Auditor also prepared draft financial statements. Management hired external CPA firm to perform independent review of draft financial statements.

Effect: Management agreed with and posted the proposed audit adjustments and draft financial statements. The net effect of the audit adjustments were as follows: \$16,667 decrease in assets and revenue for governmental activities; \$1,077,125 increase in assets and deferred outflows, \$142,787 increase in liabilities and deferred inflows, \$1,230,764 increase in expenses, and \$260,638 decrease in net position for the water & sewer business-type fund.

Cause: There are a limited number of personnel to perform certain financial reporting and close functions.

Recommendation: Management should continue efforts to improve the accuracy of year-end financial reporting by reviewing the procedures that have been implemented and make appropriate changes as needed.

Management Response: Management agrees with this finding and continues to review and implement additional month and year end closing procedures to ensure the accuracy of its financial reporting.

TOWN OF LILLINGTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2021

Nonmaterial – Noncompliance

Finding 2021-002: **Untimely Audit Submission**

Criteria: The Town should have year-end closeout procedures are performed timely and that auditable financial statements can be prepared in a timeframe that will allow the audit to be completed within 120 days after year-end.

Condition: The Town had not completed all year end procedures and did not have all the audit support available until after 120 days after year-end.

Effect: Audit was unable to be completed within 120 days after year-end due to client audit support not being ready.

Cause: There are a limited number of personnel to perform certain financial reporting and close functions in order to be able to close the books and have audit support ready in time for auditors.

Recommendation: We recommend that the Town ensure all year-end procedures are performed and audit support be made available to auditors closer to year-end.



TOWN OF LILLINGTON

CORRECTIVE ACTION PLAN

Material Weakness

Finding 2021-001: Financial Reporting

Name of Contact Person: Joseph Jefferies, Town Manager

Corrective Action: The finance officer has begun the process of implementing new month and year-end closing procedures to ensure the accuracy of the statements.

Proposed Completion Date: The procedure the finance officer implemented has improved the accuracy of the statements. However, the finance officer continues to review and implement additional procedures for the month and year-end closing process. This is an ongoing process to improve the efficiency and accuracy of the financial reporting process.

Non-Material Noncompliance

Finding 2021-002: Untimely Audit Submission

Name of Contact Person: Joseph Jefferies, Town Manager

Corrective Action: The finance officer is aware of the delays in completing and compiling audit support and will work to make sure all files ready close to year-end for auditors to begin work earlier.

Proposed Completion Date: The procedure the finance officer implemented will be ongoing.

TOWN OF LILLINGTON, NORTH CAROLINA
SUMMARY OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2021

Finding No. 2020-001: Corrected

Finding No. 2020-002: Repeated; not corrected

Finding No. 2020-003: Corrected

Finding No. 2020-004: Repeated; not corrected