

TOWN OF MINERAL SPRINGS

NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2021

Town Council

Frederick Becker, III, Mayor
Valerie Coffey, Mayor Pro Tem
Gerald Countryman
Janet Critz
Lundeen Cureton
Bettylyn Krafft

Administrative and Financial Staff

Vicky Brooks, Clerk & Zoning Administrator
Janet Ridings, Tax Collector

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund, of the Town of Mineral Springs, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of the Town of Mineral Springs, North Carolina, as of June 30, 2021, and the respective changes in financial position and the respective budgetary

comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Schedules of Employer Contributions, on pages 34 and 35, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mineral Springs, North Carolina's basic financial statements. The individual fund statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Kendra Gangal, CPA

Charlotte, NC
October 28, 2021

Management's Discussion and Analysis

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

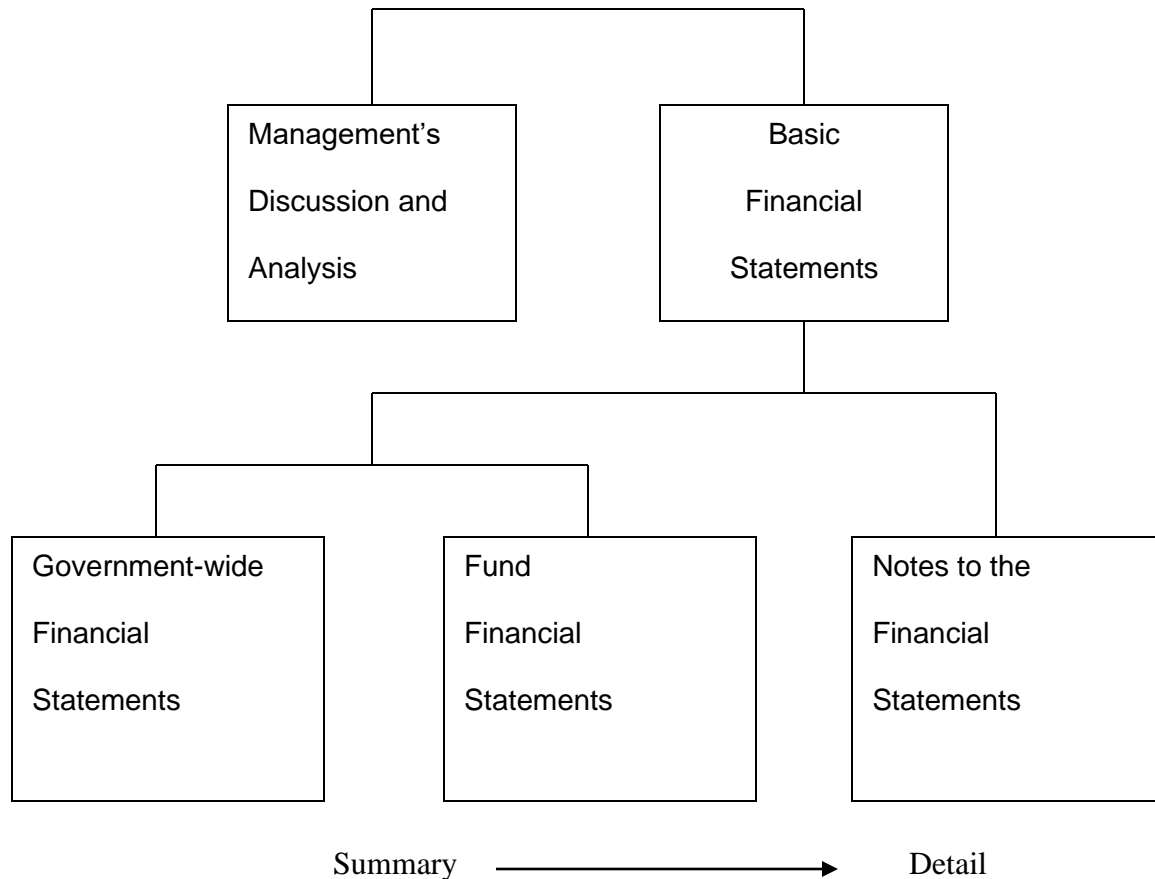
- The assets and deferred outflows of resources of the Town of Mineral Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,732,625.
- The government's total net position increased by \$68,884, primarily due to revenues exceeding expenditures.
- As of the close of the current fiscal year, the Town of Mineral Springs's governmental funds reported combined ending fund balances of \$1,062,640, an increase of \$91,535 in comparison with the prior year. Approximately 5.8 percent of this total amount or \$62,069 is non-spendable or restricted.
- The Town Council has designated as "unrestricted" all fund balance in the General Fund after non-spendable, restrictions, and commitments have taken place.
- The Town of Mineral Springs incurred no debt during the current fiscal year, and continues to have zero debt.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements comprise only one category: governmental activities. The governmental activities include most of the Town of Mineral Springs' basic services such as planning and zoning, fire protection, street lighting, community projects, and general administration. Property taxes, sales taxes, and excise taxes finance most of these activities. The Town of Mineral Springs does not operate any business-type activities or any component unit.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mineral Springs, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The Town of Mineral Springs has only one fund – the governmental fund.

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

The Town of Mineral Springs adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when

Town of Mineral Springs

June 30, 2021

the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17-33 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes supplementary information concerning the Town of Mineral Springs. This supplementary information can be found beginning on page 34 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or association with, the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modification to State laws and State appropriations.

Government-Wide Financial Analysis**The Town of Mineral Springs's Net Position****Figure 2**

	Governmental Activities		Total	
	2021	2020	2021	2020
Current and other assets	\$ 1,065,378	\$ 973,976	\$ 1,065,378	\$ 973,976
Capital assets	1,661,867	1,682,936	1,661,867	1,682,936
Deferred outflows of resources	34,962	35,108	34,962	35,108
Total assets and deferred outflows of resources	2,762,207	2,692,020	2,762,207	2,692,020
Other liabilities	29,511	26,279	29,511	26,279
Deferred inflows of resources	71	-	71	-
Total liabilities and deferred inflows of resources	29,582	26,279	29,582	26,279
Net position				
Net investment in capital assets	1,661,867	1,682,936	1,661,867	1,682,936
Restricted	62,069	60,332	62,069	60,332
Unrestricted	1,008,689	922,473	1,008,689	922,473
Total net position	\$ 2,732,625	\$ 2,665,741	\$ 2,732,625	\$ 2,665,741

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Mineral Springs exceeded liabilities by \$2,732,625 as of June 30, 2021. The Town's net assets increased by \$68,884 for the fiscal year ended June 30, 2021. However, the largest portion (60%) reflects the Town's investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Mineral Springs's net position (2.2%) represents resources that are restricted by State Statute. The remaining balance of \$1,008,689 is unrestricted.

Management Discussion and Analysis

Town of Mineral Springs

June 30, 2021

Several particular aspects of the Town financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of non-motor-vehicle property taxes by renewing our tax collection contract with Union County and achieving a current-year tax collection percentage of 99.53%, which exceeds the statewide average of 98.95% for all municipalities in FY2020 and which exceeds the peer-group average (without electric systems, population 2,500-9,999) of 98.51%.
- A continued focus on collecting prior-year delinquent taxes on the part of both the Union County tax collector and our own in-house delinquent tax collector, which resulted in collections of \$448 including base taxes, interest, and fees; this is down from the \$857 collected last year as the outstanding property tax balance has been decreasing.
- Electric sales tax (formerly considered a franchise tax by the NC Department of Revenue) revenues of \$208,851, of which an estimated \$140,000 is due to a single industrial facility in the town.
- An ongoing policy of providing minimal municipal services, which reflects the desires of a majority of the town's residents.
- Continued extremely conservative fiscal policies on the part of the town council.

Town of Mineral Springs Changes in Net Position

Figure 3

	Governmental Activities		Total	
	2021	2020	2021	2020
Revenues:				
Program revenues:				
Charges for services	\$ 5,085	\$ 3,700	\$ 5,085	\$ 3,700
General revenues:				
Property taxes	78,875	75,745	78,875	75,745
Other taxes	274,760	275,847	274,760	275,847
Unrestricted investment earnings	3,878	8,106	3,878	8,106
Miscellaneous	(75)	1,527	(75)	1,527
Total revenues	362,523	364,925	362,523	364,925
Expenses:				
General government	231,169	236,463	231,169	236,463
Public safety	13,054	13,197	13,054	13,197
Community projects	12,734	22,560	12,734	22,560
Planning and zoning	38,682	40,756	38,682	40,756
Total expenses	295,639	312,976	295,639	312,976
Increase in net position before transfers	66,884	51,949	66,884	51,949
Transfers				
Increase in net position	66,884	51,949	66,884	51,949
Net position, July 1	2,665,741	2,613,792	2,665,741	2,613,792
Net position, June 30	\$ 2,732,625	\$ 2,665,741	\$ 2,732,625	\$ 2,665,741

Town of Mineral Springs

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Governmental activities. Governmental activities increased the Town's net position by \$66,884, thereby accounting for the net increase in the net position of the Town of Mineral Springs. Key elements of this increase are as follows:

- Property tax revenues increased slightly
- Overall sales tax revenues remained close to previous year's
- Actual expenditures remained less than budgeted amounts.

Financial Analysis of the Town of Mineral Springs's Funds

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

Governmental Funds. The focus of the Town of Mineral Springs's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Mineral Springs's financing requirements.

The general fund is the chief operating fund of the Town of Mineral Springs. At the end of the current fiscal year, Town of Mineral Springs's fund balance available in the General Fund was \$1,062,640. The Town of Mineral Springs Council has adopted a minimum fund balance policy whereby the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 369% of general fund expenditures, and total fund balance represent 392% of the same amount.

At June 30, 2021 the governmental funds of Town of Mineral Springs reported a combined fund balance of \$1,062,640 with a net increase in fund balance of \$91,535.

General Fund Budgetary Highlights: During the fiscal year, the Town of Mineral Springs amended its budget once after initial adoption on June 11, 2020. 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. The amendment in FY2020-21 totaling \$50 fell into the third category. Overall, revenues slightly exceeded budgeted amounts, closing the fiscal year at 110.2% of budget.

Capital Asset and Debt Administration

Capital assets. The Town of Mineral Springs's investment in capital assets for its governmental activities as of June 30, 2021, totals \$1,661,867 (net of accumulated depreciation). These assets include machinery and equipment, buildings, sidewalks, and land.

Capital assets valued at \$8,601 were acquired during the 2020-21 fiscal year.

There were no major capital asset deletions during the fiscal year.

Town of Mineral Springs

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Town of Mineral Springs's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities		Total	
	2021	2020	2021	2020
Land	\$ 812,250	\$ 806,103	\$ 812,250	\$ 806,103
Buildings and systems	532,499	546,193	532,499	546,193
Machinery and equipment	14,602	15,797	14,602	15,797
Infrastructure	302,516	314,843	302,516	314,843
Construction in progress	-	-	-	-
Total	\$ 1,661,867	\$ 1,682,936	\$ 1,661,867	\$ 1,682,936

Additional information on the Town capital assets can be found in note 3 of the Basic Financial Statements.

Town of Mineral Springs's Long-term Debt

As of June 30, 2021, the Town of Mineral Springs had no long-term debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Town of Mineral Springs is \$25,131,500.

Economic Factors and Next Year's Budgets and Rates

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

- **Proximity to the city of Charlotte:** The Town of Mineral Springs is located 25 miles south of Charlotte, and the region's economic growth has resulted in a demand for additional housing and retail development in Mineral Springs.
- **Retention of a key industry:** Parkdale Mills, a yarn manufacturer, has maintained its facility in Mineral Springs; this factory generates approximately 40% of the town's revenues. Parkdale remains the town's largest property tax payer, and contributes approximately 65% of the town's electric franchise income.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Revenues are expected to increase by 3.62%, with a slight increase in sales tax revenues in spite of the COVID-19 situation and a slight increase in property tax revenues predominantly due to new construction in Mineral Springs and in part due to the governing board's adoption of a property tax rate of 2.1 cents per \$100 of assessed value, which is a reduction of 0.4 cents from last year's tax rate but which is 0.15 cents above a theoretical revenue-neutral tax rate in a year when Union county's property revaluation resulted in an increase in Mineral Spring's real and personal tax base to \$372.8 million from \$278.5 million. Residential construction activity in Mineral Springs is slower than in surrounding municipalities, but building activity on individual lots will still be taking place throughout the town. Interest rates have continued to drop considerably and will result in significantly decreased interest revenue over the previous year's actual income.

Management Discussion and Analysis

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Budgeted expenditures in the General Fund are expected to increase by 10.74% to \$389,215 and an appropriation of \$25,000 in General Fund balance was approved to supplement anticipated revenues of \$364,215. Administrative and General Government expenditures are budgeted to remain nearly flat in most departments. "Office" will increase due to the usual 3% increase in staff salaries. "Planning" will increase because after completing the new development ordinance, initiated in FY 2019-20, the town will be undertaking development and adoption of a new comprehensive plan during FY 2021-22. "Elections" will increase to pay for the municipal election in November 2021. All other department appropriations will remain very close to their 2020-21 budget amounts. The capital budget has increased by \$8,644 to \$31,049.

Requests for Information

This report is designed to provide an overview of the Town of Mineral Springs' finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Frederick (Rick) Becker III, Finance Officer

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Vicky Brooks, Town Clerk

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Basic Financial Statements

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Exhibit 1

*Statement of Net Position
June 30, 2021*

	Primary Government		
	Governmental Activities	Other Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,002,638	\$ -	\$ 1,002,638
Restricted cash	-	-	-
Taxes receivables (net)	558	-	558
Due from other governments	62,069	-	62,069
Accrued interest receivable on taxes	113	-	113
Total current assets	<u>1,065,378</u>	<u>-</u>	<u>1,065,378</u>
Capital assets:			
Land and improvements	812,250	-	812,250
Other capital assets, net of depreciation	849,617	-	849,617
Total capital assets	<u>1,661,867</u>	<u>-</u>	<u>1,661,867</u>
Total assets	<u><u>\$ 2,727,245</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,727,245</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	34,962	-	34,962
Total deferred outflows of resources	<u>34,962</u>	<u>-</u>	<u>34,962</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,996	-	1,996
Deposits Held	-	-	-
Total current liabilities	<u>1,996</u>	<u>-</u>	<u>1,996</u>
Long-term liabilities:			
Net pension liability	27,515	-	27,515
Total liabilities	<u>29,511</u>	<u>-</u>	<u>29,511</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	71	-	71
Pension deferrals	-	-	-
Total deferred inflows of resources	<u>71</u>	<u>-</u>	<u>71</u>
NET POSITION			
Net investment in capital assets	1,661,867	-	1,661,867
Restricted for:			
Stabilization by State Statute	62,069	-	62,069
Unrestricted	1,008,689	-	1,008,689
Total net position	<u><u>\$ 2,732,625</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,732,625</u></u>

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

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Exhibit 2

*Statement of Activities
For the Fiscal Year Ended June 30, 2021*

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Other Activities	
Primary government:							
Governmental Activities:							
General government	\$ 231,169	\$ -	\$ -	\$ -	\$ (231,169)	\$ -	\$ (231,169)
Public safety	13,054	-	-	-	(13,054)	-	(13,054)
Community projects	12,734	-	-	-	(12,734)	-	(12,734)
Planning and zoning	38,682	5,085	-	-	(33,597)	-	(33,597)
Total governmental activities (See Note 1)	295,639	5,085	-	-	(290,554)	-	(290,554)
Total primary government	\$ 295,639	\$ 5,085	\$ -	\$ -	\$ (290,554)	\$ -	\$ (290,554)

General revenues:

Taxes:

Property taxes, levied for general purpose	78,875	-	78,875
Other taxes	274,760	-	274,760
Unrestricted investment earnings	3,878	-	3,878
Miscellaneous	(75)	-	(75)

Total general revenues	357,438	-	357,438
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Change in net position	66,884	-	66,884
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Net position, beginning,	2,665,741	-	2,665,741
Net position, ending	\$ 2,732,625	\$ -	\$ 2,732,625

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

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds		Total Governmental
	General	Cap Projects	Funds
ASSETS			
Cash and cash equivalents	\$ 1,002,638	\$ -	\$ 1,002,638
Restricted cash	-	-	-
Taxes receivable, net	558	-	558
Due from other governments	62,069	-	62,069
Total assets	<u>\$ 1,065,265</u>	<u>\$ -</u>	<u>\$ 1,065,265</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,996	\$ -	\$ 1,996
Escrow deposits	-	-	-
Total liabilities	<u>1,996</u>	<u>-</u>	<u>1,996</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	71	-	71
Unavailable revenue	558	-	558
Total Deferred inflows of resources	<u>629</u>	<u>-</u>	<u>629</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	62,069	-	62,069
Unassigned	1,000,571	-	1,000,571
Total fund balance	<u>1,062,640</u>	<u>-</u>	<u>1,062,640</u>
Total liabilities, deferred inflows of resources, and fund balances.	<u>\$ 1,065,265</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 1,661,867
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	34,962
Liabilities for earned revenues considered deferred inflows of resources in fund statements	558
Some liabilities, including installment loans and compensated balances, are not due and payable in the current period and therefore are not reported in the funds.	-
Pension related deferrals	-
Accrued interest receivable from taxes is not reported on the funds	113
Net pension liability	(27,515)
Net position of governmental activities	<u>\$ 2,732,625</u>

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

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Exhibit 4

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

	Major Funds		Total Governmental
	General	Cap Projects	Funds
REVENUES			
Ad valorem taxes	\$ 78,828	\$ -	\$ 78,828
Unrestricted intergovernmental	274,760	-	274,760
Permits and fees	5,085	-	5,085
Investment earnings	3,878	-	3,878
Miscellaneous	(75)	-	(75)
Total revenues	362,476	-	362,476
EXPENDITURES			
Current:			
General government	197,870	-	197,870
Public safety	13,054	-	13,054
Community projects	12,734	-	12,734
Planning and zoning	38,682	-	38,682
Capital outlay	8,601	-	8,601
Contingency	-	-	-
Total expenditures	270,941	-	270,941
Excess (deficiency) of revenues over expenditures	91,535	-	91,535
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	-	-
Appropriated fund balance	-	-	-
Net change in fund balance	91,535	-	91,535
FUND BALANCE			
Fund balances, beginning	971,105	-	971,105
Fund balances, ending	\$ 1,062,640	\$ -	\$ 1,062,640

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

TOWN OF MINERAL SPRINGS, NORTH CAROLINA**Exhibit 5**

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal 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	\$ 91,535
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 depreciation exceeded capital outlays in the current period	(21,069)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	15,938
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	47
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. Pension expense	(19,567)
Total changes in net position of governmental activities	<u><u>\$ 66,884</u></u>

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

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

	General Fund			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 75,745	\$ 75,745	\$ 78,828	\$ 3,083
Unrestricted intergovernmental	264,410	264,410	274,760	10,350
Permits and fees	2,500	2,500	5,085	2,585
Investment earnings	5,825	5,825	3,878	(1,947)
Miscellaneous	3,000	3,000	(75)	(3,075)
Total revenues	351,480	351,480	362,476	10,996
Expenditures:				
Current:				
General government	233,399	233,449	197,870	35,579
Public safety	13,600	13,600	13,054	546
Community projects	30,800	30,800	12,734	18,066
Planning and zoning	48,276	48,276	38,682	9,594
Capital outlay	22,405	22,405	8,601	13,804
Contingency	3,000	2,950	-	2,950
Total expenditures	351,480	351,480	270,941	80,539
Revenues over (under) expenditures	-	-	91,535	91,535
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	91,535	91,535
Fund balance				
Fund balances, beginning			971,105	
Fund balances, ending			\$ 1,062,640	

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

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Mineral Springs (the Town) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Mineral Springs, North Carolina, in Union County, was incorporated under The General Statutes of The State of North Carolina on August 10, 1999. It is governed by an elected mayor and a six member council. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include activities of the overall government. The Town only has governmental type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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 program or function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include (a) fees and charges paid by the recipients 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for general government, zoning, public safety, salaries, and professional fees.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

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 Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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, including 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 they are 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 to the extent they matured. General capital asset acquisitions are reported as expenditures in government funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general fund. All annual appropriations lapse at fiscal-year end. Project ordinances are adopted for the Capital Projects 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 project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year one immaterial amendment to the original budget was 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 MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements *For the Fiscal Year Ended June 30, 2021*

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from both funds to facilitate disbursements and investment and to maximize investment income. The Town maintains a general checking account and money market account for all general fund revenues. The Town considers all cash and investments to be demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Construction deposits received by the Town are restricted to the service for which the deposit was collected. For the current fiscal year end, there were no restricted assets.

Governmental Activities

General Fund

Escrow deposits	<u>\$ 0</u>
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Total governmental activities	<u>\$ 0</u>
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TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended 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 5. These taxes 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 any allowance for doubtful accounts. This amount is generally estimated by analyzing the amount of receivables that were written off in prior years.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: furniture and equipment, \$500.00. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	29
Vehicles	6
Furniture and equipment	10
Computer equipment	3

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows for Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item meeting this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position. The face amount of debt issued is reported as other financial sources.

9. Compensated Absences

The Town does not provide for vacation or sick pay for its employees.

10. Net Position/Fund Balances

Net Position

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

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

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

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

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

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

Assigned Fund Balance – portion of fund balance that the Town of Mineral Springs 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.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

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 Town of Mineral Springs has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least 20% of the budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

11. Pensions

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

None

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

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

None

C. Excess of Expenditures Over Appropriations

None

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 3- **DETAIL NOTES ON ALL FUNDS**

A. **ASSETS**

1. Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling method, the potential exists for undercollateralization, and the risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralize 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.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,002,638 and a bank balance of \$1,021,427. Of the bank balances, \$331,338 was covered by federal depository insurance. The remaining \$690,089 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2021, the Town of Mineral Springs had \$2,358 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 806,103	\$ 6,147	\$ -	\$ 812,250
Construction-in-progress	-	-	-	-
Total not being depreciated	806,103	6,147	-	812,250
Capital assets being depreciated:				
Computer equipment	7,897	-	-	7,897
Buildings	692,457	-	-	692,457
Infrastructure	369,799	-	-	369,799
Furniture, equipment, and other	70,004	2,454	-	72,458
Total being depreciated	1,140,157	2,454	-	1,142,611
Less accumulated depreciation for:				
Computer equipment	7,296	-	-	7,296
Buildings	146,264	13,694	-	159,958
Infrastructure	54,956	12,327	-	67,283
Furniture, equipment, and other	54,808	3,649	-	58,457
Total accumulated depreciation	263,324	29,670	-	292,994
Total capital assets being depreciated, net	876,833			849,617
Governmental activity capital assets, net	<u>\$ 1,682,936</u>			<u>\$ 1,661,867</u>

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

General Government	\$ 15,582
Community Projects	14,088
Total depreciation expense	<u>\$ 29,670</u>

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

B. LIABILITIES

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Mineral Springs is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mineral Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Mineral Springs's contractually required contribution rate for the year ended June 30, 2021, was 15.80% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Mineral Springs were \$15,938 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$27,515 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, the Town's proportion was 0.00088%, which was a decrease of 0.00011% from its proportion measured as of June 30, 2019.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

For the year ended June 30, 2021, the Town recognized pension expense of \$19,567. 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	\$ 3,475	\$ -
Changes of assumptions	2,048	-
Net difference between projected and actual earnings on pension plan investments	3,872	-
Changes in proportion and differences between employer employer contributions and proportionate share of contributions	9,629	-
Employer contributions subsequent to the measurement date	15,938	-
	<u>\$ 34,962</u>	<u>\$ -</u>

\$14,224 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 7,027
2023	6,785
2024	4,066
2025	1,146
2026	-
Thereafter	-
	<u>\$ 19,024</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

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, 2019 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%
	<u>100.0%</u>	

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 55,826	\$ 27,515	\$ 3,988

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

b. Other Post-Employment Benefits

The Town of Mineral Springs does not provide any post-employment benefits to retired or former employees.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 3- **DETAIL NOTES ON ALL FUNDS – Continued**

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources.

Deferred outflows of resources is comprised of the following:

Source	Amount
Difference between expected and actual experiences	\$ 3,475
Changes in assumptions	2,048
Net difference between projected and actual earnings on pension plan investments	3,872
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,629
Employer contributions subsequent to the measurement date	15,938
Total	<u>\$ 34,962</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 71	\$ 71
Taxes receivable (General Fund)	-	558
Total	<u>\$ 71</u>	<u>\$ 629</u>

3. Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets, including flood insurance; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss. As required by general statute, the Town carries surety bonds on its financial officer of \$50,000 and \$10,000 for the tax collector. The Town also carries flood insurance.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

4. Fund Balance

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

Total Fund Balance - General Fund	\$ 1,062,640
Less:	
Stabilization by State Statute	62,069
Capital projects	-
Unassigned	1,000,571

The Town of Mineral Springs has adopted a minimum fund balance policy for the General fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

NOTE 4- **SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

The Town may be subject to various lawsuits. In the opinion of the Town's management and legal council, the ultimate effect of any of these legal matters will not have a material effect on the Town's financial position.

NOTE 6- **DATE OF MANagements' REVIEW**

In preparing the financial statements, the Town of Mineral Springs has evaluated events and transactions for potential recognition or disclosure through October 28, 2021, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA
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- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System.
- Schedule of contributions to Local Government Employees' Retirement System.

TOWN OF MINERAL SPRINGS, NORTH CAROLINA *Schedule 1*
Town of Mineral Springs's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mineral Spring's proportion of the net pension liability (asset) (%)	0.000990%	0.000990%	0.001080%	0.001080%	0.001180%	0.001330%	0.001390%	0.001500%
Mineral Spring's proportion of the net pension liability (asset) (\$)	\$ 27,515	\$ 24,032	\$ 23,485	\$ 16,499	\$ 25,044	\$ 5,969	\$ (7,672)	\$ 18,081
Mineral Spring's covered-employee payroll	\$ 100,888	\$ 102,756	\$ 99,902	\$ 97,140	\$ 92,580	\$ 89,880	\$ 87,021	\$ 82,020
Mineral Spring's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	27.27%	23.39%	23.51%	16.98%	27.05%	6.64%	-8.82%	22.04%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

TOWN OF MINERAL SPRINGS, NORTH CAROLINA***Schedule 2******Town of Mineral Springs's Contributions
Required Supplementary Information
Last Eight Fiscal Years******Local Government Employees' Retirement System***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 15,938	\$ 14,224	\$ 12,596	\$ 11,386	\$ 11,396	\$ 10,526	\$ 10,579	\$ 10,242
Contributions in relation to the contractually required contribution	\$ 15,938	\$ 14,224	\$ 12,596	\$ 11,386	\$ 11,396	\$ 10,526	\$ 10,579	\$ 10,242
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mineral Spring's covered-employee payroll	100,888	102,756	99,902	97,140	95,364	92,580	89,880	87,021
Contributions as a percentage of covered-employee payroll	15.80%	13.84%	12.61%	11.72%	11.95%	11.37%	11.77%	11.77%

SUPPLEMENTAL STATEMENTS

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

*Statement 1
Page 1 of 2*

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 75,745	\$ 78,585	\$ 2,840
Penalties and interest	-	243	243
Total	<u>75,745</u>	<u>78,828</u>	<u>3,083</u>
Unrestricted intergovernmental:			
Local option sales taxes	21,400	29,711	8,311
Telecommunications sales tax	3,200	3,151	(49)
Utility sales tax	207,000	208,851	1,851
Piped natural gas tax	1,095	1,310	215
Video programming	18,700	18,852	152
Beer and wine tax	13,015	12,885	(130)
Sales tax refund	-	0	-
Total	<u>264,410</u>	<u>274,760</u>	<u>10,350</u>
Permits and fees:			
Zoning permits	<u>2,500</u>	<u>5,085</u>	<u>2,585</u>
Total	<u>2,500</u>	<u>5,085</u>	<u>2,585</u>
Investment earnings	<u>5,825</u>	<u>3,878</u>	<u>(1,947)</u>
Other:			
Miscellaneous	<u>3,000</u>	<u>(75)</u>	<u>(3,075)</u>
Total	<u>3,000</u>	<u>(75)</u>	<u>(3,075)</u>
Total revenues	<u>351,480</u>	<u>362,476</u>	<u>10,996</u>
Expenditures:			
General government:			
Salaries and employee benefits	133,652	130,444	3,208
Other operating expenditures	99,797	67,426	32,371
Capital outlay	-	-	-
Total	<u>233,449</u>	<u>197,870</u>	<u>35,579</u>
Public safety:			
Fire protection	12,000	12,000	-
Street lights	1,600	1,054	546
Capital outlay	-	-	-
Total	<u>13,600</u>	<u>13,054</u>	<u>546</u>

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Statement 1

Page 2 of 2

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Community Projects:			
Other operating expenditures	30,800	12,734	18,066
Capital outlay	-	-	-
Total	<u>30,800</u>	<u>12,734</u>	<u>18,066</u>
Planning and Zoning:			
Other operating expenditures	48,276	38,682	9,594
Capital outlay	-	-	-
Total	<u>48,276</u>	<u>38,682</u>	<u>9,594</u>
Capital outlay	<u>22,405</u>	<u>8,601</u>	<u>13,804</u>
Contingency	<u>2,950</u>	<u>-</u>	<u>2,950</u>
Total expenditures	<u>351,480</u>	<u>270,941</u>	<u>80,539</u>
Revenues over (under) expenditures	<u>-</u>	<u>91,535</u>	<u>91,535</u>
Other financing sources (uses):			
Transfers to other funds	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>-</u></u>	<u>91,535</u>	<u><u>91,535</u></u>
Fund balance, beginning		<u>971,105</u>	
Fund balance , ending		<u><u>\$ 1,062,640</u></u>	

OTHER SCHEDULES

This section contains additional information required on property taxes.
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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Schedule 2

***Schedule of Ad Valorem Taxes Receivable
June 30, 2021***

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 78,535	\$ 78,206	\$ 329
2019-2020	447	51	289	209
2018-2019	87	51	63	75
2017-2018	75	16	23	68
2016-2017	66	16	16	66
2015-2016	32	5	7	30
2014-2015	33	-	7	26
2013-2014	21	-	-	21
2012-2013	9	-	-	9
2011-2012	-	-	-	-
2010-2011	-	-	-	-
	<u>\$ 770</u>	<u>\$ 78,674</u>	<u>\$ 78,611</u>	<u>\$ 833</u>
Less allowance for uncollectible accounts:				
General fund				<u>(275)</u>
Ad valorem taxes receivable - net				<u>\$ 558</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 78,828
Reconciling items:				
Penalties and interest				(243)
Miscellaneous				-
Taxes written off				26
Subtotal				<u>(217)</u>
Total collections and credits				<u>\$ 78,611</u>

TOWN OF MINERAL SPRINGS, NORTH CAROLINA

Schedule 3

***Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021***

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 311,512,000	0.025	\$ 77,878	\$ 68,960	\$ 8,918
Discoveries - current and prior years	7,848,000		1,962	1,962	
Releases	<u>\$ (5,220,000)</u>	0.025	<u>(1,305)</u>	<u>(1,305)</u>	
Total property valuation	<u>\$ 314,140,000</u>				
Net levy			78,535	69,617	8,918
Uncollected taxes at June 30, 2021			<u>(329)</u>	<u>(329)</u>	-
Current year's taxes collected			<u>\$ 78,206</u>	<u>\$ 69,288</u>	<u>\$ 8,918</u>
Current levy collection percentage			<u>99.58%</u>	<u>99.53%</u>	<u>100.00%</u>