

REVIEWED

By SLGFD at 11:01 am, Feb 16, 2022

Town of Parkton, North Carolina

Financial Statements

**For the Year Ended
June 30, 2021**

Town of Parkton, North Carolina
Financial Statements
For the Year Ended June 30, 2021

Town Commissioners

Christopher Carlson
Robin Hill
Tony McVickers
David Register
Doris Underwood

Crystal Lagunes, Finance Officer

Town of Parkton, North Carolina
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June 30, 2021

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, be presented to supplement the basic financial statements. Such information, although not a 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 Town of Parkton's basic financial statements. The budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Handwritten signature of S. Porter Douglas, Jr. in black ink.

Lumberton, North Carolina
January 14, 2022

Town of Parkton, North Carolina
Management's Discussion and Analysis
June 30, 2021

As management of the Town of Parkton, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Parkton for the fiscal year ending 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

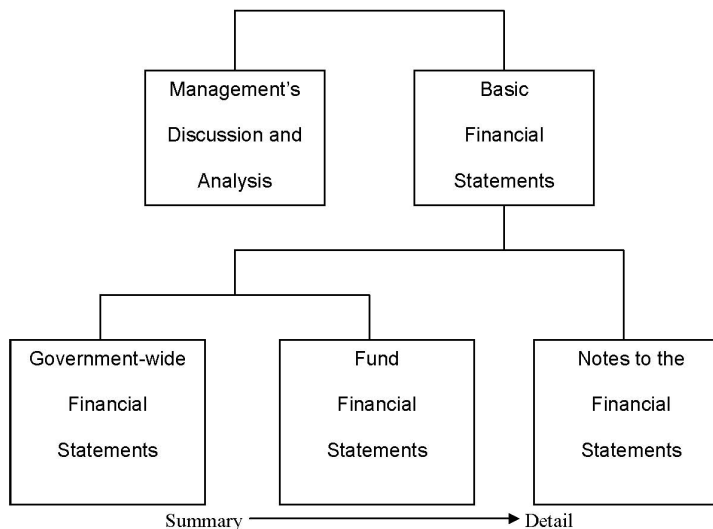
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,693,169 (net position).
- The government's total net position increased by \$84,809.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$893,008. Approximately 85.82% of this total amount or \$766,421 is available for spending at the government's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Parkton's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Parkton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements 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 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

Town of Parkton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the N.C. 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, in a manner similar to the 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 difference between the Town's total assets and deferred outflows and total liabilities and deferred inflows. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Parkton. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

The fund financial statements 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 Parkton, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps 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 Parkton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Town of Parkton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Proprietary Funds. The Town of Parkton maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The Town uses the Enterprise Fund to account for its water and sewer activity. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

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 can be found on pages 18-38 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Parkton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 39 of this report.

Government-Wide Financial Analysis

Town of Parkton's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 927,095	\$ 835,687	\$ 104,858	\$ 122,574	\$ 1,031,953	\$ 958,261
Capital assets	126,140	138,920	2,998,766	3,021,903	3,124,906	3,160,823
Deferred outflows of resources	33,196	20,887	-	-	33,196	20,887
Total assets and deferred outflows of resources	1,086,431	995,494	3,103,624	3,144,477	4,190,055	4,139,971
Long-term liabilities outstanding	57,278	41,286	407,141	436,941	464,419	478,227
Other liabilities	2,804	6,768	32,194	52,910	34,998	59,678
Deferred inflows of resources	273	474	-	-	499,417	537,905
Total liabilities and deferred inflows of resources	60,355	48,528	439,335	489,851	998,834	1,075,810
Net position:						
Net investment in capital assets	126,140	138,920	2,561,823	2,555,160	2,687,963	2,694,080
Restricted	126,587	119,514	-	-	126,587	119,514
Unrestricted	776,153	695,300	102,466	99,466	878,619	794,766
Total net position	\$ 1,028,880	\$ 953,734	\$ 2,664,289	\$ 2,654,626	\$ 3,693,169	\$ 3,608,360

Town of Parkton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,693,169 at the close of the current fiscal year. The Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) reflects 72.78% of net position, less any related debt still outstanding that was issued to acquire those items. The Town of Parkton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Parkton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Parkton's net position, \$126,587, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$878,619 is unrestricted.

Town of Parkton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 63,148	\$ 48,633	\$ 209,013	\$ 231,156	\$ 272,161	\$ 279,789
Operating grants and contributions	30,000	17,027	-	-	30,000	17,027
Capital grants and contributions	-	-	43,235	80,315	43,235	80,315
General revenues:						
Property taxes	182,403	157,232	-	-	182,403	157,232
Other taxes	122,094	122,397	-	-	122,094	122,397
Other	38,120	38,752	9,137	16,423	47,257	55,175
Total revenues	435,765	384,041	261,385	327,894	697,150	711,935
Expenses:						
General government	169,216	204,599	-	-	169,216	204,599
Public safety	130,219	119,222	-	-	130,219	119,222
Transportation	6,520	4,687	-	-	6,520	4,687
Environmental protection	43,389	47,080	-	-	43,389	47,080
Water & sewer	-	-	262,997	305,414	262,997	305,414
Total expenses	349,344	375,588	262,997	305,414	612,341	681,002
Change in net position before transfers	86,421	8,453	(1,612)	22,480	84,809	30,933
Transfers	(11,275)	-	11,275	-	-	-
Change in net position	75,146	8,453	9,663	22,480	84,809	30,933
Net position, beginning, previously reported	953,734	945,982	2,654,626	2,632,146	3,608,360	3,578,128
Restatement	-	(701)	-	-	-	(701)
Net position, beginning, restated	953,734	945,281	2,654,626	2,632,146	3,608,360	3,577,427
Net position - end of year	\$ 1,028,880	\$ 953,734	\$ 2,664,289	\$ 2,654,626	\$ 3,693,169	\$ 3,608,360

Town of Parkton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$75,146.

Business-type activities. Business-type activities increased the Town's net position by \$9,663.

Financial Analysis of the Government's Funds

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

Governmental Funds. 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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Parkton. At the end of the fiscal year, unassigned fund balance for the general fund was \$766,421, while the total fund balance reached \$893,008. As a measure of the liquidity of the General Fund, it may be useful to compare both undesignated fund balance and total fund balance to total expenditures. Unassigned fund balance represents 232.87% of total General Fund expenditures.

General Fund Budgetary Highlights

As stated previously, the Town made no revisions to the original budget. However, generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants, and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Parkton's proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$102,466. The total change in net position for the Proprietary Fund was an increase of \$9,663.

Capital Asset and Debt Administration

Capital assets. The Town of Parkton's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$3,124,906 (net of accumulated depreciation). These include land, buildings, machinery and equipment, and vehicles.

Town of Parkton, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Town of Parkton's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 13,450	\$ 13,450	\$ -	\$ -	\$ 13,450	\$ 13,450
Construction in progress	-	-	-	105,265	-	105,265
Improvements	82,347	82,347	-	-	82,347	82,347
Buildings	20,395	20,395	-	-	20,395	20,395
Equipment	157,308	157,308	107,941	107,941	265,249	265,249
Vehicles	128,288	128,288	-	-	128,288	128,288
Water & Sewer infrastructure	-	-	4,679,155	4,530,643	4,679,155	4,530,643
Total depreciable assets	388,338	388,338	4,787,096	4,638,584	5,175,434	5,026,922
Less – accumulated depreciator	275,648	262,868	1,788,330	1,721,946	2,063,978	1,984,814
Total depreciable assets, net	112,690	125,470	2,998,766	2,916,638	3,111,456	3,042,108
Total capital assets, net	\$ 126,140	\$ 138,920	\$ 2,998,766	\$ 3,021,903	\$ 3,124,906	\$ 3,160,823

Additional information on the Town's capital assets can be found in the notes on pages 25 and 26 of this report. 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 margin for the Town of Parkton is \$3,082,256.

Long-term Debt. The Town of Parkton's total outstanding debt at June 30, 2021 was \$436,943.

Additional information regarding the Town of Parkton's long-term debt can be found on page 35 of this report.

Economic Factors and Rates

The unemployment rate for the Town and surrounding area is 7.30% at June 30, 2021, which is a decrease from a rate of 8.80% a year ago. This comparison is higher than the State's rate of 4.90% and the national rate of 6.10%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities. Property taxes remain static.

Business-type Activities. The water and sewer revenue is expected to remain static.

Request for Information

This report is designed to provide a general overview of the Town of Parkton's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Parkton, PO Box 55, Parkton NC 28371.

Basic Financial Statements

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

	Governmental Activities	Business- Type Activities	Totals
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 769,225	\$ 142,368	\$ 911,593
Taxes receivable	31,283	-	31,283
Accounts receivable - net	12,209	33,466	45,675
Due from other governments	12,225	-	12,225
Due (to) from other funds	73,330	(73,330)	-
Restricted cash	28,823	2,354	31,177
Total current assets	927,095	104,858	1,031,953
Noncurrent assets			
Capital assets (Note 3)			
Land	13,450	-	13,450
Construction in progress	-	-	-
Other capital assets, net of depreciation	112,690	2,998,766	3,111,456
Total capital assets	126,140	2,998,766	3,124,906
Total assets	1,053,235	3,103,624	4,156,859
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	33,196	-	33,196
Total deferred outflows of resources	33,196	-	33,196
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	2,804	38	2,842
Customer deposits	-	2,354	2,354
Current portion of long-term liabilities	-	29,802	29,802
Total current liabilities	2,804	32,194	34,998
Long-term liabilities			
Net pension liability	50,385	-	50,385
Total pension liability	4,089	-	4,089
Due in more than one year	-	407,141	407,141
Total liabilities	57,278	439,335	496,613
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	273	-	273
Total deferred inflows of resources	273	-	273
<u>NET POSITION</u>			
Net investment in capital assets	126,140	2,561,823	2,687,963
Restricted for:			
Stabilization by State Statute	97,764	-	97,764
Streets	28,823	-	28,823
Unrestricted	776,153	102,466	878,619
Total net position	\$ 1,028,880	\$ 2,664,289	\$ 3,693,169

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

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

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 169,216	\$ -	\$ 14,276	\$ -	\$ (154,940)	\$ -	\$ (154,940)
Public safety	130,219	-	-	-	(130,219)	-	(130,219)
Transportation	6,520	-	15,724	-	9,204	-	9,204
Environmental protection	43,389	63,148	-	-	19,759	-	19,759
Cultural and recreation	-	-	-	-	-	-	-
Total governmental activities	<u>349,344</u>	<u>63,148</u>	<u>30,000</u>	<u>-</u>	<u>(256,196)</u>	<u>-</u>	<u>(256,196)</u>
Business-type activities							
Water and Sewer	262,997	209,013	-	43,235	-	(10,749)	(10,749)
Total business-type activities	<u>262,997</u>	<u>209,013</u>	<u>-</u>	<u>43,235</u>	<u>-</u>	<u>(10,749)</u>	<u>(10,749)</u>
Total primary government	<u>\$ 612,341</u>	<u>\$ 272,161</u>	<u>\$ 30,000</u>	<u>\$ 43,235</u>	<u>(256,196)</u>	<u>(10,749)</u>	<u>(266,945)</u>
General revenues							
Taxes:							
Property taxes, levied for general purpose					182,403	-	182,403
Other taxes					122,094	-	122,094
Unrestricted intergovernmental					29,393	-	29,393
Miscellaneous					8,290	9,084	17,374
Investment earnings					437	53	490
Total general revenues not including transfers					<u>342,617</u>	<u>9,137</u>	<u>351,754</u>
Transfers					(11,275)	11,275	-
Total general revenues and transfers					<u>331,342</u>	<u>20,412</u>	<u>-</u>
Change in net position					75,146	9,663	84,809
Net position, beginning					953,734	2,654,626	3,608,360
Net position, ending					<u>\$ 1,028,880</u>	<u>\$ 2,664,289</u>	<u>\$ 3,693,169</u>

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

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

	Governmental Funds
	Major Fund
	General Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 769,225
Restricted cash	28,823
Property taxes receivable	31,283
Accounts receivable	12,209
Due from other governments	12,225
Due from other funds	73,330
Total assets	927,095
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	2,804
Total liabilities	2,804
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Property taxes receivable	31,283
Total deferred inflows of resources	31,283
<u>FUND BALANCES</u>	
Restricted	
Stabilization by State Statute	97,764
Streets	28,823
Subsequent year's expenditures	-
Unassigned	766,421
Total fund balances	893,008
Total liabilities, deferred inflows of resources and fund balances	\$ 927,095

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

Town of Parkton, North Carolina
Reconciliation of Balance Sheet to Statement of Net Position
Governmental Funds
June 30, 2021

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

Total Fund Balance, Governmental Funds		\$ 893,008
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 401,788	
Accumulated depreciation	<u>(275,648)</u>	126,140
Deferred outflows of resources related to pensions are not reported in the funds		33,196
Earned revenues considered deferred inflows of resources in fund statements		31,283
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension liability	(50,385)	
Total pension liability	<u>(4,089)</u>	(54,474)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(273)</u>
Net position of governmental activities		<u><u>\$ 1,028,880</u></u>

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

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

	General Fund
<u>Revenues</u>	
Ad Valorem taxes	\$ 187,601
Other taxes and revenue	122,094
Unrestricted intergovernmental	29,393
Restricted intergovernmental	30,001
Permits and fees	-
Sales and services	63,148
Investment earnings	437
Miscellaneous	8,290
Total revenues	440,964
<u>Expenditures</u>	
General government	153,307
Public safety	125,900
Transportation	6,520
Environmental protection	43,389
Total expenditures	329,116
Revenue over (under) expenditures	111,848
Other financing sources (uses)	
Transfers from (to) Water & Sewer Fund	(11,275)
Excess of expenditures and other uses over (under) revenues and other sources	100,573
Fund balance	
Beginning of year	792,435
End of year	\$ 893,008
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance - total governmental funds	\$ 100,573
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation for the current period.	
Capital outlay expenditures which were capitalized	-
Depreciation expense	(12,780)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	12,635
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	(5,201)
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	(20,081)
Total changes in net position of governmental activities	\$ 75,146

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

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

	2021		
	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem taxes	\$ 153,119	\$ 187,601	\$ 34,482
Other taxes	104,000	122,094	18,094
Unrestricted intergovernmental	29,500	29,393	(107)
Restricted intergovernmental	14,275	30,001	15,726
Permits and fees	20	-	(20)
Sales and services	43,800	63,148	19,348
Investment earnings	-	437	437
Miscellaneous	5,768	8,290	2,522
Total revenues	350,482	440,964	90,482
Expenditures			
General government	190,822	153,307	37,515
Public safety	126,000	125,900	100
Transportation	-	6,520	(6,520)
Environmental protection	33,660	43,389	(9,729)
Contingency	-	-	-
Total expenditures	350,482	329,116	21,366
Revenues over (under) expenditures	-	111,848	111,848
Other financing sources (uses)			
Transfers to other funds	-	(11,275)	11,275
Total other financing sources (uses)			
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	100,573	\$ 100,573
Fund balance			
Beginning of year		<u>792,435</u>	
End of year		<u>\$ 893,008</u>	

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

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

	Water and Sewer Fund
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 142,368
Accounts receivable - net	33,466
Restricted cash	2,354
Total current assets	178,188
 Non-current assets, net	
Depreciable assets, net	2,998,766
Total assets	3,176,954
 <u>LIABILITIES</u>	
Current liabilities	
Accounts payable and accrued liabilities	38
Due to other funds	73,330
Customer deposits	2,354
Current maturities of long-term debt	29,802
Total current liabilities	105,524
 Non-current liabilities	
Long-term debt	407,141
Total non-current liabilities	407,141
Total liabilities	512,665
 <u>NET POSITION</u>	
Net investment in capital assets	2,561,823
Net position - unrestricted	102,466
Total net position	\$ 2,664,289

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

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

	Water and Sewer Fund
Revenues	
Charges for utilities	\$ 209,013
Miscellaneous revenue	9,084
Total operating revenues	<u>218,097</u>
Operating expenses	
Water and sewer	196,613
Depreciation	66,384
Total operating expenses	<u>262,997</u>
Operating income (loss)	(44,900)
Non-operating revenues (expenses)	
Interest income	53
Grants	-
Interest expense	-
Total non-operating revenues (expenses)	<u>53</u>
Net income (loss) before operating transfers	(44,847)
Transfers	11,275
Capital contributions	43,235
Change in net position	9,663
Net position - beginning of year	<u>2,654,626</u>
Net position - end of year	<u><u>\$ 2,664,289</u></u>

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

Town of Parkton, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2021

	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers and users	\$ 240,495
Cash paid for goods and services	(188,311)
Cash paid to employees for services	(30,048)
Change in customer deposits	1,030
Net cash provided (used) by operating activities	23,166
Cash flows from noncapital financing activities	
Increase (decrease) in due to other funds	587
Transfers from other funds	11,275
Grants	-
Net cash provided (used) by noncapital financing activities	11,862
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(43,247)
Capital contributions	43,235
Other	(1,742)
Principal paid on long-term debt	(29,802)
Interest paid	-
Net cash provided (used) by capital and related financing activities	(31,556)
Cash flows from investing activities	
Interest and dividends	53
Net increase (decrease) in cash and cash equivalents	3,525
Cash and cash equivalents - beginning of year	141,197
Cash and cash equivalents - end of year	\$ 144,722
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(44,900)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	66,384
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	22,398
Increase (decrease) in accounts payable and accrued liabilities	(21,746)
Increase (decrease) in customer deposits	1,030
Total adjustments	68,066
Net cash provided (used) by operating activities	\$ 23,166

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

Town of Parkton, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - Reporting Entity

The Town of Parkton is a municipal corporation that is governed by an elected mayor and a five-member council.

B - Basis of Presentation - Fund Accounting

Government-wide Statements: The Statement of Net Position and 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of the 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 the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major Governmental Funds:

Governmental Funds are used to account for the Town's governmental functions. Governmental funds include the following fund types:

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, State grants, and various other taxes and licenses. Primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

Proprietary Funds include the following fund type:

Enterprise Funds - Enterprise Funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Parkton has one Enterprise Fund, the Water and Sewer Fund.

C - Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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, 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.

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 60 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 are 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.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Parkton because the tax is levied by Robeson 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. Grant revenue that is unearned at year-end is recorded as deferred revenue. 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 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorized the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by 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; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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.

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening roads of local streets per G.S. 136-41.1 through 136-41.4. The Town of Parkton's restricted cash related to Powell Bill for the fiscal year is \$28,823 and \$2,354 related to customer deposits.

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

Allowance 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.

Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's Enterprise Fund consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. 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 the assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	40
Improvements	40
Vehicles	7
Furniture and equipment	5
Computer equipment	5

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension related 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 two items that meet this criterion - property taxes receivable and pension related deferrals.

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.

Compensated Absences

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

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

The vacation policy of the Town does not provide for the accumulation of vacation leave.

Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as 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.

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

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Net Position/Fund Balances (continued)

The governmental fund types classify fund balances as follows:

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

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

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

Assigned fund balance – portion of fund balance that the Town of Parkton intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

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

Defined Benefit Cost-Sharing Plans

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 (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Parkton's employer contributions are recognized when due and the Town of Parkton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Material Violations of Finance-Related Legal and Contractual Provision

Noncompliance with North Carolina General Statute

None noted.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the General Fund exceeded authorized appropriations for transportation activities by \$6,520 and environmental protection by \$9,729. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Deposit Insurance Coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$942,770 and a bank balance of \$942,770. Of the bank balance, \$426,750 was covered by federal deposit insurance and the remaining was covered by collateral held under the pooling method.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets

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

Governmental activities -	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 13,450	\$ -	\$ -	\$ 13,450
Improvements	82,347	-	-	82,347
Buildings	20,395	-	-	20,395
Equipment	157,308	-	-	157,308
Vehicles	128,288	-	-	128,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets	<u>\$ 401,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,788</u>
 Less -				
Accumulated depreciation				
Buildings	\$ 14,910	\$ 510	\$ -	\$ 15,420
Equipment	136,578	8,889	-	145,467
Vehicles	111,380	3,381	-	114,761
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	<u>262,868</u>	<u>\$ 12,780</u>	<u>\$ -</u>	<u>275,648</u>
Governmental activities -				
Capital assets - net	<u>\$ 138,920</u>			<u>\$ 126,140</u>

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

General Government	\$ 9,399
Public Safety	<u>3,381</u>
Total depreciation expense	<u>\$ 12,780</u>

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets (continued)

Business-type activities -

Water and Sewer Fund -

	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Construction in progress	\$ 105,265	\$ 43,247	\$ 148,512	\$ -
Plant & Distribution System	4,530,643	148,512	-	4,679,155
Equipment	107,941	-	-	107,941
 Total capital assets	 \$ 4,743,849	 \$ 191,759	 \$ 148,512	 \$ 4,787,096
 Less -				
Accumulated depreciation				
Plant & Distribution System	\$ 1,614,008	\$ 59,920	\$ -	\$ 1,673,928
Equipment	107,938	6,464	-	114,402
 Total accumulated depreciation	 1,721,946	 \$ 66,384	 \$ -	 1,788,330
 Business-type activities				
Capital assets - net	 <u>\$ 3,021,903</u>			 <u>\$ 2,998,766</u>

B - Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

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).

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Parkton 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 Parkton's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% 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 of Parkton were \$12,635 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 \$50,385 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 0.00141%, which was an increase of 0.00020% from its proportion measured as of June 30, 2019.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

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

For the year ended June 30, 2021, the Town recognized pension expense (revenue) of \$19,143. 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	\$ 6,363	\$ -
Changes of assumptions	3,750	-
Net difference between projected and actual earnings on pension plan investments	7,090	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	1,531	185
Town contributions subsequent to the measurement date	12,635	-
Total	<u>\$ 31,369</u>	<u>\$ 185</u>

\$12,635 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 5,194
2023	6,952
2024	4,303
2025	2,098
2026	-
Thereafter	-
	<u>\$ 18,547</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 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)	\$ 102,226	\$ 50,385	\$ 7,302

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.

Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Parkton administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	1
Total	1

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

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

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

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

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

3. 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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (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 \$4,089. 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 \$938.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 88
Changes of assumptions	1,827	-
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 1,827</u>	<u>\$ 88</u>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 239
2023	239
2024	239
2025	239
2026	235
Thereafter	548
	<u>\$ 1,739</u>

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 4,642	\$ 4,089	\$ 3,591

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

	<u>2021</u>
Beginning balance	\$ 1,474
Service cost	651
Interest on the total pension liability	48
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(100)
Changes of assumptions or other inputs	2,016
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 4,089</u>

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

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

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 19,143	\$ 938	\$ 20,081
Pension Liability	50,385	4,089	54,474
Proportionate share of the net pension liability	0.00141%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	6,363	-	6,363
Changes of assumptions	3,750	1,827	5,577
Net difference between projected and actual earnings on pension plan investments	7,090	-	7,090
Changes in proportion and difference between Town contributions and proportionate share of contributions	1,531	-	1,531
Benefit payments and administrative costs paid subsequent to the measurement date	12,635	-	12,635
Deferred Inflows of Resources			
Differences between expected and actual experience	-	88	88
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	185	-	185

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following: pension related deferrals - \$33,196.

Deferred inflows of resources at year-end is comprised of the following: property taxes receivable - \$31,283 and pension related deferrals - \$273.

Interfund Balances and Activity

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

Due to the General Fund from the Enterprise Fund: \$73,330.

The outstanding balance results from the timing differences between when goods and services are provided, recorded, and then subsequently reimbursed.

During the year ended June 30, 2021, the Town received \$14,276 of CARES Act funding into the General Fund. The Town transferred \$11,275 of the CARES Act funding from the General Fund to the Water and Sewer Fund to reimburse expenditures related to COVID-19.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 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 worker's compensation. The pools are reinsured for annual employee health 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 has no post-employment liability.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The town does not carry flood insurance as no immovable assets are located in a flood designated area. In accordance with G. S. 129-29, the finance officer is performance bonded for \$50,000. Other employees in a position of trust are bonded in a like amount.

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations

During the year ended June 30, 2015, the Town received \$500,000, subsequently modified to \$497,413, in Federal money via the Clear Water State Revolving Fund from the NC Department of Environmental Quality. The non-interest bearing loan is to be repaid in annual installments.

Year ending June 30:	Principal	Interest
2022	\$ 24,871	\$ -
2023	24,871	-
2024	24,871	-
2025	24,871	-
2026	24,871	-
2027-2031	124,352	-
2032-2035	99,482	-
	<u>\$ 348,189</u>	<u>\$ -</u>

During the year ended June 30, 2019, the Town received another loan from the NC Department of Environmental Quality in the amount of \$98,615. Its purpose was to finance a capital project, is non-interest bearing, and is payable in twenty annual installments of \$4,931.

Year ending June 30:	Principal	Interest
2022	\$ 4,931	\$ -
2023	4,931	-
2024	4,931	-
2025	4,931	-
2026	4,931	-
2027-2031	24,653	-
2032-2036	24,653	-
2037-2039	14,793	-
	<u>\$ 88,754</u>	<u>\$ -</u>

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Net pension liability (LGERS)	\$ 33,044	\$ 17,341	\$ -	\$ 50,385	\$ -
Total pension liability (LEO)	1,474	2,715	100	4,089	-
Governmental activity long-term liabilities	<u>\$ 34,518</u>	<u>\$ 20,056</u>	<u>\$ 100</u>	<u>\$ 54,474</u>	<u>\$ -</u>
Business-type activities:					
Water and Sewer Fund					
Direct Placement					
Installment purchase	\$ 283	\$ -	\$ 283	\$ -	\$ -
CW Revolving SRF Loan	93,684	-	4,931	88,754	4,931
CW Revolving SRF Loan	373,059	-	24,871	348,189	24,871
Business activity long-term liabilities	<u>\$ 467,026</u>	<u>\$ -</u>	<u>\$ 30,085</u>	<u>\$ 436,943</u>	<u>\$ 29,802</u>

NOTE 4 - NET INVESTMENT IN CAPITAL ASSETS

	Governmental	Business-type
Capital assets	\$ 126,140	\$ 2,998,766
less: long-term debt	-	436,943
Net investment in capital assets	<u>\$ 126,140</u>	<u>\$ 2,561,823</u>

NOTE 5 - 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	\$ 893,008
less:	
Stabilization by State Statue	97,764
Streets - Powell Bill	28,823
Subsequent year's expenditures	-
Remaining Fund Balance	<u>766,421</u>

Town of Parkton, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 6 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A - Federal and State Assisted Programs

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

B - Use of Estimates

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

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 14, 2022, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance

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

	2021	2020	2019	2018	2017	2016	2015	2014
Parkton's proportion of the net pension liability (asset) (%)	0.00141%	0.00121%	0.00120%	0.00131%	0.00015%	0.00016%	0.00017%	0.00032%
Parkton's proportion of the net pension liability (asset) (\$)	\$ 50,385	\$ 33,044	\$ 28,468	\$ 20,013	\$ 30,774	\$ 7,045	\$ (9,967)	\$ 38,572
Parkton's covered-employee payroll	\$ 95,430	\$ 77,428	\$ 65,102	\$ 71,054	\$ 69,164	\$ 69,605	\$ 93,013	\$ 82,991
Parkton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.80%	42.68%	43.73%	28.17%	44.49%	10.12%	-10.72%	46.48%
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 Parkton, North Carolina
Town of Parkton'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	\$ 12,635	\$ 8,789	\$ 6,557	\$ 6,786	\$ 6,423	\$ 6,109	\$ 8,569	\$ 7,607
Contributions in relation to the contractually required contribution	12,635	8,789	6,557	6,786	6,423	6,109	8,569	7,607
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Parkton's covered-employee payroll	\$ 95,430	\$ 77,428	\$ 65,102	\$ 71,054	\$ 69,164	\$ 69,605	\$ 93,013	\$ 82,991
Contributions as a percentage of covered-employee payroll	13.24%	11.35%	10.07%	9.55%	9.29%	8.78%	9.21%	9.17%

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

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,474	\$ 701
Service cost	651	674
Interest on the total pension liability	48	26
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(100)	-
Changes of assumptions and other inputs	2,016	73
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 4,089</u>	<u>\$ 1,474</u>

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

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

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 4,089	\$ 1,474
Covered payroll	38,662	42,211
Total pension liability as a percentage of covered payroll	10.58%	3.49%

Notes to the schedules:

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

Individual Fund Statements and Schedules

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

	2021		Variance
<u>Revenues:</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Ad Valorem taxes:			
Taxes	\$	\$ 187,601	\$
Other		-	
Total Ad Valorem taxes	153,119	187,601	34,482
Other taxes			
Local option sales tax		121,494	
Privilege licenses		600	
Total other taxes	104,000	122,094	18,094
Unrestricted intergovernmental			
Franchise tax		29,393	
Gasoline tax		-	
Total unrestricted intergovernmental	29,500	29,393	(107)
Restricted intergovernmental			
Grants			
Powell Bill		15,725	
NC Cares Act		14,276	
Total restricted intergovernmental	14,275	30,001	15,726
Permits and fees			
Zoning permits		-	
Total permits and fees	20	-	(20)
Sales and services			
Sanitation fees		63,148	
Total sales and services	43,800	63,148	19,348
Investment earnings			
Powell Bill		8	
Other		429	
Total investment earnings	-	437	437
Miscellaneous			
Sale of cemetery lots		4,440	
Insurance reimbursement		1,188	
Miscellaneous - other		2,662	
Total miscellaneous	5,768	8,290	2,522
Total revenues	\$ 350,482	\$ 440,964	\$ 90,482

Town of Parkton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
<u>Expenditures</u>			
General Government			
Administration			
Salaries and employee benefits	\$	\$ 64,212	\$
Contracted services		15,884	
Other operating expenditures		73,211	
Capital outlay		-	
Total administration	<u>190,822</u>	<u>153,307</u>	<u>37,515</u>
Public Safety			
Police			
Salaries and employee benefits		67,752	
Other operating expenditures		58,148	
Total police	<u>126,000</u>	<u>125,900</u>	<u>100</u>
Rescue			
Other operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>126,000</u>	<u>125,900</u>	<u>100</u>
Transportation			
Powell Bill - Streets			
Other operating expenditures		6,520	
Capital outlay		-	
Total Powell Bill - Streets	<u>-</u>	<u>6,520</u>	<u>(6,520)</u>
Environmental protection			
Contracted services	<u>33,660</u>	<u>43,389</u>	<u>(9,729)</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>350,482</u>	<u>329,116</u>	<u>21,366</u>
Revenues over (under) expenditures	<u>-</u>	<u>111,848</u>	<u>111,848</u>
Other financing sources (uses)			
Transfers to another fund	<u>-</u>	<u>(11,275)</u>	<u>11,275</u>
Total other financing sources (uses):	<u>-</u>	<u>(11,275)</u>	<u>11,275</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	
Net Change in Fund Balance	<u>\$ -</u>	<u>100,573</u>	<u>\$ 100,573</u>
Fund balance			
Beginning of year		<u>792,435</u>	
End of year		<u>\$ 893,008</u>	

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

	2021		
	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for utilities	\$	\$ 209,013	\$
Miscellaneous revenue		9,084	
Total operating revenues	<u>222,596</u>	<u>218,097</u>	<u>(4,499)</u>
Nonoperating revenues			
Grants		-	
Interest income		41	
Total nonoperating revenues	<u>-</u>	<u>41</u>	<u>41</u>
Total revenues	<u>222,596</u>	<u>218,138</u>	<u>(4,458)</u>
<u>Expenditures</u>			
Water and sewer			
Salaries and employee benefits		30,048	
Maintenance and repairs		44,055	
Contracted services		38,737	
Utilities		20,533	
Other operating expenditures		63,240	
Total water treatment and distribution	<u>203,871</u>	<u>196,613</u>	<u>7,258</u>
Debt service			
Loan interest		-	
Principal retirement		29,801	
Total debt service	<u>30,000</u>	<u>29,801</u>	<u>199</u>
Total expenditures	<u>233,871</u>	<u>226,414</u>	<u>7,457</u>
Revenues over expenditures	(11,275)	(8,276)	2,999
Other financing sources (uses)			
Transfers from another fund	11,275	11,275	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,999</u>	<u>\$ 2,999</u>

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

Excess of revenues and non-operating transfers	
over (under) expenditures	\$ 2,999
Principal retirement	29,801
Capital outlay	-
Depreciation	(66,384)
Capital contributions	43,235
Interest income from Water and Sewer	
Capital Projects Fund	12
Loan proceeds	-
Change in net position	<u>\$ 9,663</u>

Town of Parkton, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Totals to Date	Positive (Negative)
<u>Revenues</u>					
Restricted intergovernmental grants					
Asset Inventory and Assessment					
Grant	\$ 135,000	\$ 91,765	\$ 43,235	\$ 135,000	-
Match	13,500	13,500	-	13,500	-
Investment Earnings	-	-	12	12	12
Total revenues	148,500	105,265	43,247	148,512	12
<u>Expenditures</u>					
Asset Inventory and Assessment	148,500	105,265	43,247	148,512	(12)
Total expenditures	148,500	105,265	43,247	148,512	(12)
<u>Other financing sources</u>	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

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

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 192,641	\$ 183,828	\$ 8,813
2019-2020	10,758	-	3,613	7,145
2018-2019	7,761	-	3,061	4,700
2017-2018	4,067	-	1,661	2,406
2016-2017	2,348	-	1,289	1,059
2015-2016	1,866	-	892	974
2014-2015	1,933	-	893	1,040
2013-2014	3,049	-	1,094	1,955
2012-2013	1,901	-	75	1,826
2011-2012	1,712	-	347	1,365
2010-2011	1,089	-	1,089	-
	<u>\$ 36,484</u>	<u>\$ 192,641</u>	<u>\$ 197,842</u>	<u>\$ 31,283</u>
Less - allowance for uncollectible accounts				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u><u>\$ 31,283</u></u>
Reconcilement with revenues:				
Taxes - Ad Valorem - General Fund				\$ 187,601
Reconciling items:				
Penalties				-
Taxes written off				5,710
Other				4,531
Total collections and credits				<u><u>\$ 197,842</u></u>

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

	Town Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 38,528,200	0.50	\$ 192,641	\$ 170,120	\$ 22,521
Total property valuation	<u>\$ 38,528,200</u>				
Net levy			\$ 192,641	\$ 170,120	\$ 22,521
Uncollected taxes at June 30, 2021			<u>8,813</u>	<u>8,813</u>	<u>-</u>
Current year's taxes collected			<u>\$ 183,828</u>	<u>\$ 161,307</u>	<u>\$ 22,521</u>
Current levy collection percentage			<u>95.43%</u>	<u>94.82%</u>	<u>100.00%</u>