

REVIEWED

By SLGFD at 4:08 pm, Dec 01, 2021

Town of Pembroke, North Carolina

Financial Statements

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

Town of Pembroke, North Carolina

Financial Statements

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

Board of Town Commissioners

C. Gregory Cummings, Mayor

Channing Jones

Theresa Locklear

Larry McNeill

Ryan Sampson

*** * * * ***

Tyler Thomas, Town Manager

Marie Moore, Finance Officer

Town of Pembroke, 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
Board of Town Commissioners
Town of Pembroke, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pembroke ABC Board and Pembroke Tourism Development Authority were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, the discretely presented component units, each major fund, the aggregate remaining fund information of the Town of Pembroke, 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 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 on pages 3 through 8, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 54, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 50 and 51, 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 on pages 52 and 53, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the Town of Pembroke's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pembroke's internal control over financial reporting and compliance.

Handwritten signature of S. Preston Douglas in black ink.

Lumberton, North Carolina
November 10, 2021

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

Management's Discussion and Analysis

As management of the Town of Pembroke, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Pembroke for the fiscal year ending June 30, 2021.

Financial Highlights

The assets and deferred outflows of resources of the Town of Pembroke exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,390,368 (*net position*).

The government's total net position increased by \$225,361 during the year. The increase is primarily attributed to grant income and positive operating results.

As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$2,385,157.

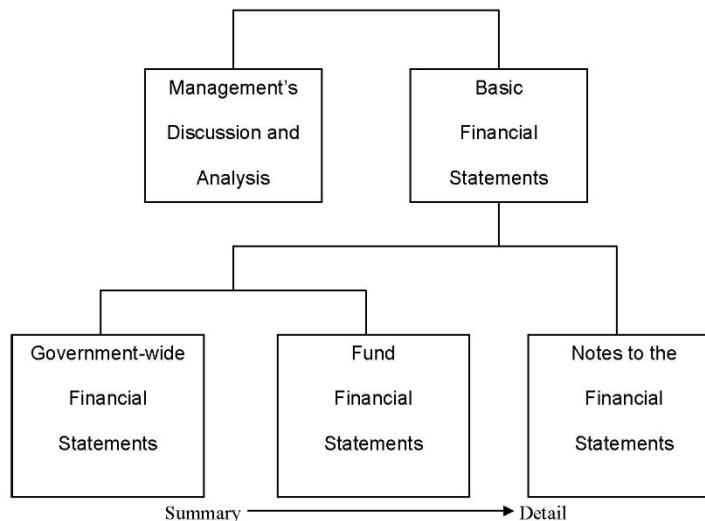
At the end of the current fiscal year, unassigned portion of fund balance for the general fund was \$1,864,212 or 52.44% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Pembroke'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 Pembroke.

Required Components of Annual Financial Report

Figure 1



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 Pembroke, 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional 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 of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Pembroke. The final category is the component units. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members, and because the Board is required to distribute a portion of its profits to the Town. The other component unit is the Pembroke Tourism Development Authority. Again, the Town exercises control over the TDA by appointing its members and enforcing the collection of hotel occupancy taxes used to fund operations of same.

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 Pembroke, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town 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 Pembroke 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.

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

Basic Financial Statements (continued)

Governmental Funds (continued). The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Pembroke 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. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-49 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 Pembroke's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

Government-Wide Financial Analysis

Town of Pembroke's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,262,801	\$ 2,977,329	\$ 2,464,561	\$ 3,088,701	\$ 5,727,362	\$ 6,066,030
Capital assets	7,027,971	6,584,703	15,581,255	14,597,773	22,609,226	21,182,476
Deferred outflows of resources	673,934	243,684	483,940	206,446	1,157,874	450,130
Total assets and deferred outflows of resources	10,964,706	9,805,716	18,529,756	17,892,920	29,494,462	27,698,636
Long-term liabilities	4,330,966	3,929,783	2,969,491	2,241,662	7,300,457	6,171,445
Other liabilities	973,721	602,651	341,371	231,445	1,315,092	834,096
Deferred inflows of resources	282,565	303,381	205,980	224,707	488,545	528,088
Total liabilities and deferred inflows of resources	5,587,252	4,835,815	3,516,842	2,697,814	9,104,094	7,533,629
Net position						
Net investment in capital assets	4,885,490	4,236,034	14,017,660	13,488,064	18,903,150	17,724,098
Restricted	972,421	655,656	-	-	972,421	655,656
Unrestricted	(480,457)	78,211	995,254	1,707,042	514,797	1,785,253
Total net position	\$ 5,377,454	\$ 4,969,901	\$ 15,012,914	\$ 15,195,106	\$ 20,390,368	\$ 20,165,007

Town of Pembroke, 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 resources of the Town exceeded liabilities and deferred inflows of resources by \$20,390,368 at close of the current fiscal year. By far the largest portion of the Town's net position (92.71%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of net position represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$514,797, or 2.52% of the total.

Town of Pembroke's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 599,247	\$ 594,689	\$ 2,547,564	\$ 2,589,542	\$ 3,146,811	\$ 3,184,231
Grants and contributions	525,406	433,713	263,698	656,453	789,104	1,090,166
General revenues						
Property taxes	1,341,708	1,299,465	-	-	1,341,708	1,299,465
Other taxes/licenses	1,030,682	888,281	-	-	1,030,682	888,281
Other revenues	226,212	268,165	-	-	226,212	268,165
Unrestricted revenues	332,684	341,390	-	-	332,684	341,390
Interest income	9,210	19,410	12,386	25,679	21,596	45,089
Total revenues	4,065,149	3,845,113	2,823,648	3,271,674	6,888,797	7,116,787
Expenses:						
General government	883,413	713,679	-	-	883,413	713,679
Public safety	1,443,519	1,355,414	-	-	1,443,519	1,355,414
Transportation	151,653	238,118	-	-	151,653	238,118
Environmental prot	510,668	489,383	-	-	510,668	489,383
Economic develop	-	14,425	-	-	-	14,425
Cultural and rec	593,791	492,454	-	-	593,791	492,454
Interest on debt	74,552	66,880	-	-	74,552	66,880
Water and sewer	-	-	3,005,840	2,880,177	3,005,840	2,880,177
Total expenses	3,657,596	3,370,353	3,005,840	2,880,177	6,663,436	6,250,530
Increase (decrease) in net position	407,553	474,760	(182,192)	391,497	225,361	866,257
Net position – beginning of Year	4,969,901	4,495,141	15,195,106	14,803,609	20,165,007	19,298,750
Net position – ending of Year	\$ 5,377,454	\$ 4,969,901	\$15,012,914	\$15,195,106	\$20,390,368	\$20,165,007

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

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town of Pembroke's net position by \$407,553.

Property taxes continue to be the largest revenue consistent contributor with 33.01% of the total governmental activities revenues. Other taxes/licenses were the next largest at 25.35%.

Capital and operating grants for governmental activities furnished resources to support the six functions of the Town: general government, public safety, transportation, environmental protection, economic and physical development, and cultural and recreation.

Business-type activities. Business-type activities decreased the Town's net position by \$182,192. Key elements of this decrease are as follows: charges for services and grant revenues decreased while expenses increased compared to the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Pembroke 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. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$2,385,157. Of this total amount, \$1,864,212 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed as follows: 1) to liquidate contracts and purchase orders from the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the Town of Pembroke. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,864,212, while total fund balance reached \$2,465,848. The Governing Body of the Town of Pembroke has determined that the Town should maintain an available fund balance of 20% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 52.44% of General Fund expenditures.

Proprietary Funds. The Town of Pembroke's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$995,254 for the Water and Sewer Fund. Other factors concerning this fund have been discussed in the Town's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

Capital Assets and Debt Administration

The Town of Pembroke's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$22,609,226 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 628,501	\$ 628,501	\$ 140,972	\$ 140,972	\$ 769,473	\$ 769,473
Buildings & infrastructure	5,116,724	4,657,556	-	-	5,116,724	4,657,556
Equipment	1,282,746	1,298,646	-	-	1,282,746	1,298,646
Water & Sewer infrastructure	-	-	15,440,283	14,456,801	15,440,283	14,456,801
Totals	\$ 7,027,971	\$ 6,584,703	\$ 15,581,255	\$ 14,597,773	\$22,609,226	\$21,182,476

Additional information on the Town's capital assets can be found in the notes on pages 29 and 30 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Pembroke had total debt outstanding of \$7,761,920.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchase	\$ 2,142,481	\$ 2,348,669	\$ 858,855	\$ 300,000	\$ 3,001,336	\$ 2,648,669
Compensated absences	76,609	76,609	38,110	38,110	114,719	114,719
Net pension liability (LGERS)	475,509	391,090	438,931	361,006	914,440	752,096
Total pension liability (LEO)	400,139	280,021	-	-	400,139	280,021
Total OPEB liability	1,444,600	1,039,582	1,181,946	850,567	2,626,546	1,890,149
General obligation bonds	-	-	704,740	809,709	704,740	809,709
Totals	\$ 4,539,338	\$ 4,135,971	\$ 3,222,582	\$ 2,359,392	\$ 7,761,920	\$ 6,495,363

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pembroke is presently at \$12,647,721.

Additional information pertaining to the Town of Pembroke's long-term debt begins on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the Town and surrounding area is 7.3% at June 30, 2021 which is a decrease from a rate of 8.8% a year ago. This comparison is higher than the State's rate of 4.6% and higher than the national rate of 5.9%

Request for Information

This financial report is designed to provide a general overview of the Town of Pembroke's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Post Office Box 866, Pembroke, North Carolina 28372.

Basic Financial Statements

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

	Primary Government			Pembroke Tourism Development Authority	Pembroke Board of Alcohol Control
	Governmental Activities	Business - Type Activities	Total		
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 2,163,911	\$ 2,198,526	\$ 4,362,437	\$ 39,120	\$ 411,483
Taxes receivable, net	112,295	-	112,295	-	-
Accounts receivable, net	60,090	209,388	269,478	-	-
Accounts receivable - other	183,851	-	183,851	4,367	-
Due from other governments	180,766	-	180,766	-	-
Inventories	14,174	56,647	70,821	-	137,679
Prepaid items	-	-	-	-	4,282
Restricted cash and cash equivalents	547,714	-	547,714	-	-
Total current assets	3,262,801	2,464,561	5,727,362	43,487	553,444
Non-current assets:					
Capital assets (Note 3):					
Land	628,501	140,972	769,473	-	7,500
Other capital assets, net of depreciation	6,399,470	15,440,283	21,839,753	-	110,523
Total capital assets	7,027,971	15,581,255	22,609,226	-	118,023
Total assets	10,290,772	18,045,816	28,336,588	43,487	671,467
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension deferrals	369,609	234,946	604,555	-	-
OPEB deferrals	304,325	248,994	553,319	-	-
Total deferred outflows of resources	673,934	483,940	1,157,874	-	-
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued expenses	759,228	41,092	800,320	-	104,806
Current portion of long-term debt	208,372	253,091	461,463	-	20,393
Deposits	6,121	47,188	53,309	-	-
Total current liabilities	973,721	341,371	1,315,092	-	125,199
Long-term liabilities:					
Net pension liability	475,509	438,931	914,440	-	-
Total pension liability	400,139	-	400,139	-	-
Total OPEB liability	1,444,600	1,181,946	2,626,546	-	-
Due in more than one year	2,010,718	1,348,614	3,359,332	-	37,779
Total liabilities	5,304,687	3,310,862	8,615,549	-	162,978
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension deferrals	65,268	28,192	93,460	-	-
OPEB deferrals	217,297	177,788	395,085	-	-
Total deferred inflows of resources	282,565	205,980	488,545	-	-
<u>NET POSITION</u>					
Net investment in capital assets	4,885,490	14,017,660	18,903,150	-	59,851
Restricted for:					
Stabilization by State Statute	424,707	-	424,707	-	-
Other functions	547,714	-	547,714	4,367	56,614
Unrestricted	(480,457)	995,254	514,797	39,120	392,024
Total net position	\$ 5,377,454	\$ 15,012,914	\$ 20,390,368	\$ 43,487	\$ 508,489

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government			Pembroke Tourism Development Authority	Pembroke Board of Alcohol Control
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental activities:									
General government	\$ 883,413	\$ 1,811	\$ -	\$ 186,323	\$ (695,279)	\$ -	\$ (695,279)	\$ -	\$ -
Public safety	1,443,519	27,260	-	-	(1,416,259)	-	(1,416,259)	-	-
Transportation	151,653	-	-	87,218	(64,435)	-	(64,435)	-	-
Environmental protection	510,668	570,176	-	-	59,508	-	59,508	-	-
Economic and physical development	-	-	-	251,865	251,865	-	251,865	-	-
Cultural and recreational	593,791	-	-	-	(593,791)	-	(593,791)	-	-
Interest on long-term debt	74,552	-	-	-	(74,552)	-	(74,552)	-	-
Total governmental activities	3,657,596	599,247	-	525,406	(2,532,943)	-	(2,532,943)	-	-
Business-type activities:									
Water and sewer	3,005,840	2,547,564	263,698	-	-	(194,578)	(194,578)	-	-
Total business-type activities	3,005,840	2,547,564	263,698	-	-	(194,578)	(194,578)	-	-
Total primary government	\$ 6,663,436	\$ 3,146,811	\$ 263,698	\$ 525,406	(2,532,943)	(194,578)	(2,727,521)	-	-
Component units:									
Pembroke Tourism Development Authority	\$ 30,672	\$ 35,502	\$ -	\$ -	-	-	-	4,830	-
Pembroke Board of Alcohol Control	1,685,744	1,806,182	-	-	-	-	-	-	120,438
Total component units	\$ 1,716,416	\$ 1,841,684	\$ -	\$ -	\$ -	\$ -	\$ -	4,830	120,438
General revenues:									
Taxes:									
Ad Valorem taxes					1,341,708	-	1,341,708	-	-
Other taxes and licenses					1,030,682	-	1,030,682	-	-
Unrestricted intergovernmental revenues					332,684	-	332,684	-	-
Miscellaneous					226,212	-	226,212	-	-
Unrestricted investment earnings					9,210	12,386	21,596	-	-
Total general revenues and transfers					2,940,496	12,386	2,952,882	-	-
Change in net position					407,553	(182,192)	225,361	4,830	120,438
Net position, beginning					4,969,901	15,195,106	20,165,007	38,657	388,051
Net position, ending					\$ 5,377,454	\$ 15,012,914	\$ 20,390,368	\$ 43,487	\$ 508,489

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

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

	<u>Major Fund</u> <u>General</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,163,911	\$ -	\$ 2,163,911
Restricted cash and cash equivalents	76,929	470,785	547,714
Taxes receivable, net	112,295	-	112,295
Accounts receivable, net	60,090	-	60,090
Accounts receivable - other	183,851	-	183,851
Due from other governments	180,766	-	180,766
Inventories	14,174	-	14,174
Total assets	<u><u>2,792,016</u></u>	<u><u>470,785</u></u>	<u><u>3,262,801</u></u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	207,752	551,476	759,228
Deposits	6,121	-	6,121
Total liabilities	<u><u>213,873</u></u>	<u><u>551,476.00</u></u>	<u><u>765,349</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	112,295	-	112,295
Total deferred inflows of resources	<u><u>112,295</u></u>	<u><u>-</u></u>	<u><u>112,295</u></u>
<u>FUND BALANCES</u>			
Restricted:			
Stabilization by State Statute	424,707	-	424,707
Streets	76,929.00	-	76,929
Economic development	-	(80,691)	(80,691)
Assigned:			
Subsequent year's expenditures	100,000	-	100,000
Unassigned	1,864,212	-	1,864,212
Total fund balances	<u><u>2,465,848</u></u>	<u><u>(80,691)</u></u>	<u><u>2,385,157</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,792,016</u></u>	<u><u>\$ 470,785</u></u>	

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

Town of Pembroke, North Carolina
Balance Sheet (continued)
Governmental Funds
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position (Page 9) are different because:

Total Fund Balance, Governmental Funds		\$ 2,385,157
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$ 11,546,694	
Accumulated depreciation	<u>(4,518,723)</u>	7,027,971
Deferred outflows of resources related to pensions are not reported in the funds		369,609
Deferred outflows of resources related to OPEB are not reported in the funds		304,325
Earned revenues considered deferred inflows of resources in fund statements		112,295
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	\$ (2,425,278)	
Long-term debt included as net position below (includes the additions of long-term debt and principal payments during the year)	206,188	
Net pension liability	(475,509)	
Total pension liability	(400,139)	
OPEB liability	<u>(1,444,600)</u>	(4,539,338)
Deferred inflows of resources related to pensions are not reported in the funds		(65,268)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(217,297)</u>
Net position of governmental activities		<u><u>\$ 5,377,454</u></u>

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

Town of Pembroke, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2021

	<u>Major Fund</u> <u>General</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,389,149	\$ -	\$ 1,389,149
Other taxes and licenses	1,030,682	-	1,030,682
Unrestricted intergovernmental	332,684	-	332,684
Restricted intergovernmental	302,612	-	302,612
Sales and services	570,176	-	570,176
Investment earnings	9,210	-	9,210
Miscellaneous	226,212	251,865	478,077
Total revenues	<u>3,860,725</u>	<u>251,865</u>	<u>4,112,590</u>
Expenditures:			
Current:			
General government	710,091	-	710,091
Public safety	1,381,221	-	1,381,221
Transportation	172,500	-	172,500
Environmental protection	510,668	-	510,668
Economic and physical development	-	593,884	593,884
Cultural and recreational	499,459	-	499,459
Debt service:			-
Principal retirements	206,188	-	206,188
Interest and other charges	74,552	-	74,552
Total expenditures	<u>3,554,679</u>	<u>593,884</u>	<u>4,148,563</u>
Revenues over (under) expenditures	<u>306,046</u>	<u>(342,019)</u>	<u>(35,973)</u>
Other financing sources (uses)			
Loan proceeds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	306,046	(342,019)	(35,973)
Fund balances, beginning	<u>2,159,802</u>	<u>261,328</u>	<u>2,421,130</u>
Fund balances, ending	<u><u>\$ 2,465,848</u></u>	<u><u>\$ (80,691)</u></u>	<u><u>\$ 2,385,157</u></u>

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

Town of Pembroke, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
June 30, 2021

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

Net changes in fund balances - total governmental funds		\$ (35,973)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital outlay expenditures which were capitalized	\$ 742,839	
Depreciation expense for governmental assets	<u>(299,571)</u>	443,268
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		92,174
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		10,272
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		17,600
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue for tax revenues		(47,441)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	-	
Principal payments on long-term debt	<u>206,188</u>	206,188
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	-	
Pension expense	(189,372)	
OPEB plan expense	<u>(89,163)</u>	<u>(278,535)</u>
Total changes in net position of governmental activities		<u><u>\$ 407,553</u></u>

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

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

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 1,180,700	\$ 1,389,162	\$ 1,389,149	\$ (13)
Other taxes and licenses	742,000	1,030,682	1,030,682	-
Unrestricted intergovernmental	318,000	332,684	332,684	-
Restricted intergovernmental	187,500	317,716	302,612	(15,104)
Sales and services	540,000	570,176	570,176	-
Investment earnings	12,000	9,210	9,210	-
Miscellaneous	191,127	226,162	226,212	50
Total revenues	<u>3,171,327</u>	<u>3,875,792</u>	<u>3,860,725</u>	<u>(15,067)</u>
Expenditures:				
Current:				
General government	534,200	710,091	710,091	-
Public safety	1,379,034	1,381,221	1,381,221	-
Transportation	234,800	172,500	172,500	-
Environmental protection	500,000	510,668	510,668	-
Cultural and recreational	377,375	499,459	499,459	-
Contingency	16,324	321,113	-	321,113
Debt service :				
Principal retirement	190,985	206,188	206,188	-
Interest and other charges	88,609	74,552	74,552	-
Total expenditures	<u>3,321,327</u>	<u>3,875,792</u>	<u>3,554,679</u>	<u>321,113</u>
Revenues over (under) expenditures	<u>(150,000)</u>	<u>-</u>	<u>306,046</u>	<u>306,046</u>
Other financing sources (uses)				
Loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>306,046</u>	<u>\$ 306,046</u>
Fund balance, beginning			<u>2,159,802</u>	
Fund balance, ending			<u>\$ 2,465,848</u>	

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

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

	Enterprise Fund	
	Water and Sewer Fund	Total
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,198,526	\$ 2,198,526
Accounts receivable - net	209,388	209,388
Inventories	56,647	56,647
Total current assets	2,464,561	2,464,561
Noncurrent assets:		
Capital assets:		
Land	140,972	140,972
Other capital assets, net of depreciation	15,440,283	15,440,283
Total noncurrent assets	15,581,255	15,581,255
Total assets	18,045,816	18,045,816
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension deferrals	234,946	234,946
OPEB deferrals	248,994	248,994
Total deferred outflows of resources	483,940	483,940
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	41,092	41,092
Current portion of long-term debt	253,091	253,091
Deposits	47,188	47,188
Total current liabilities	341,371	341,371
Noncurrent liabilities:		
Compensated absences	38,110	38,110
Noncurrent portion of long-term debt	1,310,504	1,310,504
Net pension liability	438,931	438,931
Total OPEB liability	1,181,946	1,181,946
Total noncurrent liabilities	2,969,491	2,969,491
Total liabilities	3,310,862	3,310,862
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension deferrals	28,192	28,192
OPEB deferrals	177,788	177,788
Total deferred inflows of resources	205,980	205,980
<u>NET POSITION</u>		
Net investment in capital assets	14,017,660	14,017,660
Unrestricted	995,254	995,254
Total net position	\$ 15,012,914	\$ 15,012,914

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

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

	Enterprise Fund	
	Water and Sewer Fund	Total
Operating revenues		
Charges for services	\$ 2,547,564	\$ 2,547,564
Other operating revenues	-	-
Total operating revenues	<u>2,547,564</u>	<u>2,547,564</u>
Operating expenses		
Administration	752,920	752,920
Water department	622,339	622,339
Sewer department	1,035,231	1,035,231
Depreciation	526,629	526,629
Total operating expenses	<u>2,937,119</u>	<u>2,937,119</u>
Operating income (loss)	<u>(389,555)</u>	<u>(389,555)</u>
Nonoperating revenues (expenses)		
Investment income	12,386	12,386
Interest and other charges	(68,721)	(68,721)
Total nonoperating revenues (expenses)	<u>(56,335)</u>	<u>(56,335)</u>
Income (loss) before contributions and transfers	<u>(445,890)</u>	<u>(445,890)</u>
Contributions and transfers		
Capital contributions and grants	263,698	263,698
Transfer from other funds	-	-
Total contributions and transfers	<u>263,698</u>	<u>263,698</u>
Change in net position	(182,192)	(182,192)
Net position, beginning	15,195,106	15,195,106
Net position, ending	<u><u>\$ 15,012,914</u></u>	<u><u>\$ 15,012,914</u></u>

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

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

	Enterprise Fund	
	Water and Sewer Fund	Total
Cash flows from operating activities		
Cash received from customers	\$ 2,461,579	\$ 2,461,579
Cash payments for personal services	(1,121,129)	(1,121,129)
Cash payments for goods and services	(1,195,232)	(1,195,232)
Increase (decrease) in customer deposits	3,198	3,198
Net cash provided (used) by operating activities	148,416	148,416
Cash flows from non-capital financing activities		
Increase in due to (from) other funds	-	-
Transfers from (to) other funds	-	-
Net cash provided (used) by non-capital financing activities	-	-
Cash flows from capital and related financing activities		
Capital contributions and grants	263,698	263,698
New loan	697,565	697,565
Principal paid on bonds and other loans	(243,679)	(243,679)
Interest paid on bonds and other loans	(68,721)	(68,721)
Acquisition and construction of capital assets	(1,510,112)	(1,510,112)
Net cash provided (used) by capital and related financing activities	(861,249)	(861,249)
Cash flows from investing activities		
Interest from investments	12,386	12,386
Net increase (decrease) in cash and cash equivalents	(700,447)	(700,447)
Cash and cash equivalents - beginning of year	2,898,973	2,898,973
Cash and cash equivalents - end of year	\$ 2,198,526	\$ 2,198,526

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

Town of Pembroke, North Carolina
Statement of Cash Flows (continued)
Proprietary Fund
For the Year Ended June 30, 2021

	Enterprise Fund	
	Water and Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (389,555)	\$ (389,555)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	526,629	526,629
(Increase) decrease in accounts receivable	(85,985)	(85,985)
(Increase) decrease in inventories	9,678	9,678
Decrease in deferred outflows of resources - pensions	(36,314)	(36,314)
Increase in deferred outflows of resources - OPEB	(241,180)	(241,180)
(Decrease) in net pension liability	77,925	77,925
Increase in total pension liability - OPEB	331,379	331,379
(Decrease) in deferred inflows of resources - pension	12,920	12,920
Increase in deferred inflows of resources - OPEB	(31,647)	(31,647)
Increase (decrease) in accounts payable and accrued liabilities	(28,632)	(28,632)
Increase (decrease) in compensated absences	-	-
Increase (decrease) in customer deposits	3,198	3,198
Net cash provided (used) by operating activities	\$ 148,416	\$ 148,416

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

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

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Pembroke, North Carolina, (the "Town") and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Component Units

In conformity with generally accepted accounting principles, the financial statements of the component unit have been included in the financial statements as discretely presented component units.

Discretely Presented Component Units

The Town appoints the members of the ABC Board's governing board. The Pembroke ABC Board's equity is owned jointly between the Town of Pembroke and Robeson County, with the Town owning sixty-five percent and the County owning thirty-five percent. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town and Robeson County. The ABC Board complies with this requirement by distributing its surpluses to the Town of Pembroke and Robeson County pro-rata, based on their equity percentages. The ABC Board, which has a June 30 year-end, is presented as if it were a Proprietary Fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Pembroke ABC Board, 100 North Vance Street, Pembroke, North Carolina 28372.

On July the 9th, 2010, the North Carolina legislature authorized the creation of the Pembroke Tourism Development Authority. The Pembroke Town council appoints members of the Authority Board and assesses and collects occupancy taxes from local hotels and remits a portion of the money to the Authority. This practice was initiated during the second calendar quarter of 2011. The Authority, at this time, has no employees, capital assets, or indebtedness. No income taxes were considered as the Board formally applied for and received tax exempt status under Section 501(c)(6) of the Internal Revenue Code on June 13, 2012.

B. Basis of Presentation

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has four Special Revenue Funds, the Community Development Fund, the Recreation fund, the Streetscape fund, and the System Development fund.

The Town reports the following major enterprise fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the activity related to the provision of water and sanitary sewer services to the Town's customers.

For financial reporting purposes, a Water and Sewer Capital Project Fund has been consolidated with the enterprise operating fund.

C. Measurement Focus and Basis of Accounting

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

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

Town of Pembroke, 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)

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Fund and the Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or exceed \$2,500 must be approved by the governing body. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Pembroke, 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

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

Restricted Assets

Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Pembroke Restricted Cash:

At June 30, 2021, restricted cash for Governmental Activities totaled \$547,714. \$470,785 is related to Economic Development and \$76,929 is related to Streets.

Town of Pembroke, 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)

Ad Valorem Taxes Receivable

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

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

The inventories of the Town's enterprise funds and those of the Town of Pembroke ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Capital Assets

The government defines capital assets as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, 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 life of the asset is not capitalized.

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

Town of Pembroke, 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)

General and Enterprise Funds:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25 years
Buildings	50-67 years
Improvements	25 years
Vehicles	6 years
Furniture and fixtures	6-10 years
Equipment	6-35 years
Computer equipment	3 years

Discretely presented component unit:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50-67 years
Land improvements	20 years
Furniture and fixtures	6-10 years
Equipment	6-35 years

Deferred outflows/inflows of resources

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

Town of Pembroke, 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)

Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds.

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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 four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Economic Development –portion of Fund Balance restricted for economic development.

Town of Pembroke, 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)

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

Subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted in next year's budget.

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

The Town of Pembroke 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.

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 Pembroke's employer contributions are recognized when due and the Town of Pembroke 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.

Note 2 – Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None noted.

2. Contractual Violations

None noted.

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

None noted.

C. Excess of Expenditures over Appropriations

None Noted.

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

Note 3 - Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under collateralization, 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.

At June 30, 2021, the Town's deposits had a carrying amount of \$4,910,151 cash and a bank balance of \$4,780,112. Of the bank balance \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the Tourism Development Authority was \$39,120 and the bank balance was \$39,120. All of that bank balance was covered by federal depository insurance. The carrying amount of deposits for the Pembroke ABC Board was \$411,483 and the bank balance was \$442,051. All of that bank balance was covered by federal depository insurance.

Town of Pembroke, 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:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 628,501	\$ -	\$ -	\$ 628,501
Construction in progress	-	593,884	-	593,884
Total capital assets not being depreciated	628,501	593,884	-	1,222,385
Capital assets being depreciated:				
Fire station (1/2 interest)	44,182	-	-	44,182
Recreation complex	3,972,357	-	-	3,972,357
Municipal complex	1,730,168	-	-	1,730,168
Equipment and improvements	551,697	7,004	-	558,701
Public works	189,409	-	-	189,409
Streets	14,150	21,778	-	35,928
Public buildings and grounds	936,790	-	-	936,790
Old town hall	131,047	-	-	131,047
Fire-fighting equipment	1,103,524	76,118	-	1,179,642
Police equipment	1,241,555	44,055	-	1,285,610
Recreation equipment	132,502	-	-	132,502
Infrastructure	127,973	-	-	127,973
Total capital assets being depreciated	10,175,354	148,955	-	10,324,309
Less – accumulated depreciation for:				
Fire station (1/2 interest)	37,120	884	-	38,004
Recreation complex	973,845	79,447	-	1,053,292
Municipal complex	781,167	50,471	-	831,638
Equipment and improvements	278,366	-	-	278,366
Streets	931	931	-	1,862
Public buildings and grounds	350,118	24,761	-	374,879
Old town hall	131,047	-	-	131,047
Fire-fighting equipment	503,344	69,783	-	573,127
Police equipment	897,807	64,089	-	961,896
Recreation equipment	51,115	9,205	-	60,320
Infrastructure	214,292	-	-	214,292
Total accumulated depreciation	4,219,152	\$ 299,571	\$ -	4,518,723
Governmental activity capital assets - net	\$ 6,584,703			\$ 7,027,971

Town of Pembroke, 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)

Depreciation expense by function:

General Government	\$ 75,232
Public Safety	134,756
Streets	931
Recreation	88,652
Total	<u>\$ 299,571</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 140,972	-	-	\$ 140,972
Capital assets being depreciated:				
Sewer system	14,906,508	581,860	-	15,488,368
Water system	5,604,391	180,968	-	5,785,359
Water and sewer equipment	3,012,912	747,284	-	3,760,196
Total capital assets being depreciated	<u>23,523,811</u>	<u>1,510,112</u>	<u>-</u>	<u>25,033,923</u>
Less – accumulated depreciation for:				
Sewer system	5,147,335	286,511	-	5,433,846
Water system	2,229,499	106,756	-	2,336,255
Water and sewer equipment	1,690,176	133,363	-	1,823,539
Total accumulated depreciation	<u>9,067,010</u>	<u>\$ 526,630</u>	<u>\$ -</u>	<u>9,593,640</u>
Business-type activity capital assets - net	<u>\$ 14,597,773</u>			<u>\$ 15,581,255</u>

Discretely presented component unit

Activity for the ABC Board fixed assets at June 30, 2021:

Land	\$ 7,500
Buildings & equipment	259,353
Total	<u>266,853</u>
Less: accumulated depreciation	<u>(148,830)</u>
Total ABC fixed assets	<u>\$ 118,023</u>

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Pembroke 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 (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic 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 Pembroke 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 Pembroke'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 Pembroke were \$177,258 for the year ended June 30, 2021.

Town of Pembroke, 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)

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 \$914,440 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 0.02559%, which was a decrease of 0.00195% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$290,8641. 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	\$ 115,478	\$ -
Changes of assumptions	68,052	-
Net difference between projected and actual earnings on pension plan investments	128,682	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	58,733
Town contributions subsequent to the measurement date	177,258	-
Total	<u>\$ 489,470</u>	<u>\$ 58,733</u>

\$177,258 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.

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

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

Year ended June 30:	
2022	\$ 66,007
2023	96,813
2024	52,576
2025	38,084
2026	-
Thereafter	-
	\$ 253,480

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

<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	100%	

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

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

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

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,855,299	\$ 914,440	\$ 132,520

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 (ACFR) for the State of North Carolina.

The ABC Board and Pembroke Tourism Development Authority provide no pension plan.

Law Enforcement Officers Special Separation Allowance

1. Plan Description. The Town of Pembroke 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Active plan members	13
Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>14</u>

2. Summary of Significant Accounting Policies:

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

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

Town of Pembroke, 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)

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

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

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

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

4. *Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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 \$400,139. 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 \$38,123.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,523
Changes of assumptions	115,085	9,204
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 115,085</u>	<u>\$ 34,727</u>

Town of Pembroke, 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)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 12,256
2023	12,564
2024	12,762
2025	12,961
2026	14,500
Thereafter	15,315
	<u>\$ 80,358</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	\$ 441,528	\$ 400,139	\$ 362,818

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

	2021
Beginning balance	\$ 280,021
Service cost	16,906
Interest on the total pension liability	8,961
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,603)
Changes of assumptions or other inputs	117,126
Benefit payments	(10,272)
Other changes	-
Ending balance of the total pension liability	<u>\$ 400,139</u>

Town of Pembroke, 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)

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

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

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources 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	\$ 290,864	\$ 38,123	\$ 328,987
Pension liability	914,440	400,139	1,314,579
Proportionate share of the net pension liability	.02559%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	115,478	-	115,478
Changes of assumptions	68,052	115,085	183,137
Net difference between projected and actual earnings on plan investments	128,682	-	128,682
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	177,258	-	177,258
Deferred Inflows of Resources			
Differences between expected and actual experience	-	25,523	25,523
Changes of assumptions	-	9,204	9,204
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	58,733	-	58,733

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

Note 3 - Detail Notes on All Funds (continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$40,559, which consisted of \$30,235 from the Town and \$10,324 from the law enforcement officers.

Other Postemployment Benefits

According to a Town resolution, the Town provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the Town. In addition, the Town pays the full cost of these benefits with a minimum of twenty years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains health care coverage through private insurers.

Membership of the Plan consisted of the following at June 30, 2020:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	6	1
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	27	13
Total	33	14

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

Other Postemployment Benefits (continued)

Total OPEB Liability

The Town's total OPEB liability of \$2,626,546 was measured as of June 30, 2020 and was determined by an actuarial valuation of June 30, 2019.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	2.21 percent
Healthcare costs trend rates	Pre-Medicare 7.00 percent Medicare 5.00 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 6/30/19	\$ 1,890,149
Service cost	92,694
Interest on the total pension liability	68,844
Changes of benefit terms	-
Differences between expected and actual experience	3,804
Changes of assumptions or other inputs	603,054
Benefit payments	(31,999)
Other changes	-
Balance at 6/30/20	<u><u>\$ 2,626,546</u></u>

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

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience for the period January 1, 2010 through December 31, 2014.

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

Other Postemployment Benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 3,276,073	\$ 2,626,546	\$ 2,140,846

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,078,194	\$ 2,626,546	\$ 3,388,172

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,721	\$ 166,665
Changes of assumptions	535,598	228,420
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 553,319</u>	<u>\$ 395,085</u>

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

Other Postemployment Benefit (continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 576
2023	576
2024	576
2025	576
2026	15,361
Thereafter	140,569
	<u>\$ 158,234</u>

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources at year-end are comprised of pension related deferrals of \$604,555 and OPEB related deferrals of \$555,319.

Deferred inflows of resources at year-end are comprised of property taxes receivable of \$112,295, pension related deferrals of \$93,460, and OPEB related deferrals of \$395,085.

Town of Pembroke, 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 (continued)

Installment purchases

USDA Promissory Notes

On July 16, 2002, the Town executed two promissory direct placement contracts between it and the USDA (lender) for purposes of constructing the new municipal complex. Both notes, one in the amount of \$225,000 and the other in the amount of \$750,000, bear interest at the rate of 4.75%, are payable over 40 years, and are collateralized by a deed of trust on certain real estate, as well as a UCC filing in connection with any personal property contained therein.

The following table summarizes the annual requirements to amortize the aforementioned notes:

	Governmental Activities	
	Principal	Interest
2022	\$ 19,783	\$ 35,110
2023	20,722	34,171
2024	21,706	33,187
2025	22,738	32,155
2026	23,817	31,076
2027-2031	137,174	137,291
2032-2036	172,997	101,468
2037-2041	218,176	56,289
2042-2043	102,468	7,318
	<u>\$ 739,581</u>	<u>\$ 468,065</u>

Branch Banking and Trust Company Loan

On January 24, 2007, the Town executed a direct placement contract with Branch Banking and Trust Company for purposes of purchasing land and finishing the multi-purpose recreation complex. The note is collateralized by a deed of trust on certain real estate. The loan was refinanced to be repaid in 40 quarterly installments of \$36,250, plus interest at 1.89%.

	Governmental Activities	
	Principal	Interest
2022	\$ 145,000	\$ 14,730
2023	145,000	11,990
2024	145,000	9,249
2025	145,000	6,509
2026	145,000	3,768
2027	108,750	1,028
	<u>\$ 833,750</u>	<u>\$ 47,274</u>

Town of Pembroke, 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 (continued)

Installment purchases (continued)

During January, 2016, the Town financed a piece of firefighting equipment in the amount of \$145,000 via two direct placement contracts. Both loans are collateralized by aforementioned equipment. The first loan of \$45,000, through the USDA, requires seven annual payments in the amount of \$7,105, including interest at 2.875%. The second loan of \$100,000, through First Bank, requires seven annual payments in the amount of \$15,496, including interest of 2.33%.

Governmental Activities				
USDA Loan		First Bank Loan		
	Principal	Interest	Principal	Interest
2022	\$ 6,797	\$ 307	\$ 14,950	\$ 545
2023	6,996	109	15,303	193
	<u>\$ 13,793</u>	<u>\$ 416</u>	<u>\$ 30,253</u>	<u>\$ 738</u>

On July 19, 2011, the Town entered into a direct placement contract with the USDA to finance renovations to the local library. The \$232,800 is to be repaid in 25 annual installments of \$14,904, including interest at 4%, payable in the following manner:

Governmental Activities		
	Principal	Interest
2022	\$ 7,887	\$ 7,017
2023	8,218	6,686
2024	8,561	6,343
2025	8,918	5,986
2026	9,291	5,613
2027-2031	52,613	21,907
2032-2036	64,560	9,960
2037	14,575	329
	<u>\$ 174,623</u>	<u>\$ 63,841</u>

Town of Pembroke, 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 (continued)

Installment purchases (continued)

On July 31, 2019, the Town executed a direct placement contract between it and the USDA (lender) for purposes of acquiring a new piece of firefighting equipment. The \$364,000 loan is payable in 20 annual installments of \$24,469, including interest at 3% and is collateralized by the equipment in question as follows:

	Governmental Activities	
	Principal	Interest
2022	\$ 13,955	\$ 10,514
2023	14,373	10,096
2024	14,804	9,665
2025	15,223	9,246
2026	15,705	8,764
2027-2031	85,861	36,484
2032-2036	99,543	22,802
2037-2040	91,017	6,939
	<u>\$ 350,481</u>	<u>\$ 114,510</u>

On April 2, 2020, the Town entered into a direct placement contract with First Bank to finance a lift station upgrade. The loan is to be repaid in 4 annual installments of \$17,861, with a balloon in the fifth year, including interest at 1.7% as noted below. The loan is collateralized by a certificate of deposit in like amount.

	Business-Type Activities	
	Principal	Interest
2022	\$ 12,978	\$ 4,883
2023	13,199	4,662
2024	13,423	4,438
2025	247,639	4,545
	<u>\$ 287,239</u>	<u>\$ 18,528</u>

During the fiscal year ending June 30, 2021, the Town entered into a direct placement agreement with a radio-controlled meter-reading company to install approximately 1,100 of such devices. The contract calls for 5 payments in the amount of \$157,967 using an implied interest rate of 5% as follows:

	Business-Type Activities	
	Principal	Interest
2022	\$ 132,393	\$ 25,574
2023	139,166	18,801
2024	146,286	11,681
2025	153,771	4,196
	<u>\$ 571,616</u>	<u>\$ 60,252</u>

Town of Pembroke, 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 (continued)

General Obligation Bonds

General obligation bonds payable, serviced by the Water and Sewer Fund, were comprised of the following issues at June 30, 2021:

1969 Water and Sewer bonds payable in annual principal installments ranging from \$6,000 to \$7,000 through 2024; interest at 5.00%.	\$ 17,000
1986 Sanitary Sewer bonds payable in annual principal installments ranging from \$9,000 to \$20,000 through 2025; interest at 5.00%.	70,000
1986 Sanitary Sewer bonds payable in annual principal installments ranging from \$1,000 to \$2,000 through 2026; interest at 6.375%.	10,000
1994 Sanitary Sewer bonds payable in annual principal installments ranging from \$16,000 to \$58,000 through 2033; interest at 5.00%. On October 22, 2018, the debt was refinanced to ten payments of \$100,024 including interest at 3.67% through 2028.	<u>607,740</u>
Total general obligation bonds payable	<u><u>\$ 704,740</u></u>

Annual debt service requirements to maturity of general obligation bonds, including interest of \$103,689 are as follows:

	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 107,720	\$ 27,291
2023	110,572	22,912
2024	106,529	18,427
2025	98,595	14,184
2026	91,773	10,378
2027-2029	189,551	10,497
	<u><u>\$ 704,740</u></u>	<u><u>\$ 103,689</u></u>

At June 30, 2021, the Town's legal debt margin was \$12,647,721.

Town of Pembroke, 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 Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Direct placement					
Installment purchases	\$ 2,348,669	\$ -	\$ 206,188	\$ 2,142,481	\$ 208,372
Net pension liability (LGERS)	391,090	84,419	-	475,509	-
Total pension liability (LEO)	280,021	120,118	-	400,139	-
Total OPEB liability	1,039,582	405,018	-	1,444,600	-
Compensated absences	76,609	-	-	76,609	-
	<u>4,135,971</u>	<u>609,555</u>	<u>206,188</u>	<u>4,539,338</u>	<u>208,372</u>
Business-type activities					
Direct placement					
Installment purchases	300,000	697,565	138,710	858,855	145,371
General obligation bonds	809,709	-	104,969	704,740	107,720
Net pension liability (LGERS)	361,006	77,925	-	438,931	-
Total OPEB liability	850,567	331,379	-	1,181,946	-
Compensated absences	38,110	-	-	38,110	-
Totals	<u>\$ 2,359,392</u>	<u>\$ 1,106,869</u>	<u>\$ 243,679</u>	<u>\$ 3,222,582</u>	<u>\$ 253,091</u>

Discretely Presented Component Unit

The ABC Board borrowed money from a local bank for store refurbishment and equipment. Amount considered short and long-term, based on the foregoing are reflected in the schedule below. The loan is collateralized by a deed of trust on the store building. The maturity date on the loan is March 1, 2024.

	Principal	Interest	Total
2022	\$ 20,393	\$ 2,717	\$ 23,110
2023	21,649	1,461	23,110
2024	14,205	314	14,519
Total	<u>\$ 56,247</u>	<u>\$ 4,492</u>	<u>\$ 60,739</u>

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

Note 4 - Summary Disclosure of Significant Contingencies

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.

Commitments

The Town had no material contractual commitments at year end.

Risk Management

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

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the finance officer and tax collector are performance bonded, individually, in the amount of \$50,000. All other employees in a position of trust are covered under a blanket insurance policy to \$50,000.

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

Note 4 - Summary Disclosure of Significant Contingencies (continued)

Risk Management (continued)

The Town of Pembroke ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage during this last fiscal year, after a four-year hiatus in operations. The town carries no flood insurance since no assets are located in a flood designated area. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. The TDA insurance coverage is limited to a blanket insurance policy of \$50,000 on the Town's Finance officer, separate and distinct from the Town, since it has no capital assets, debt or employees.

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:

<i>Total fund balance-General Fund</i>	\$ 2,465,848
Less:	
Inventories	-
Stabilization by State Statute	424,707
Streets	76,929
Subsequent year's expenditures	100,000
Remaining Fund Balance	1,864,212

Note 6 - Subsequent Events

Subsequent events were evaluated through November 10, 2021, 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
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Pembroke's proportion of the net pension liability (asset) (%)	0.02559%	0.02754%	0.02775%	0.02780%	0.02746%	0.02700%	0.02670%	0.0255%
Pembroke's proportion of the net pension liability (asset) (\$)	\$ 914,440	\$ 752,096	\$ 658,325	\$ 424,707	\$ 582,793	\$ 121,174	\$ (157,462)	\$ 307,373
Pembroke's covered-employee payroll	\$ 1,552,331	\$ 1,627,211	\$ 1,449,612	\$ 1,559,331	\$ 1,491,773	\$ 1,461,105	\$ 1,375,815	\$ 1,447,779
Pembroke's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	58.91%	46.22%	45.41%	27.24%	39.07%	8.29%	(11.45%)	21.23%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 177,258	\$ 144,115	\$ 131,768	\$ 117,404	\$ 118,748	\$ 103,164	\$ 105,107	\$ 98,231
Contributions in relation to the contractually required contribution	<u>177,258</u>	<u>144,115</u>	<u>131,768</u>	<u>117,404</u>	<u>118,748</u>	<u>103,164</u>	<u>105,107</u>	<u>98,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pembroke's covered-employee payroll	\$ 1,693,459	\$ 1,552,331	\$ 1,627,211	\$ 1,449,612	\$ 1,559,331	\$ 1,491,773	\$ 1,461,105	\$ 1,375,815
Contributions as a percentage of covered-employee payroll	10.47%	9.28%	8.10%	8.10%	7.62%	6.92%	7.11%	7.14%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 280,021	\$ 267,571	\$ 275,321	\$ 258,643	\$ 254,792
Service cost	16,906	15,763	18,092	15,563	15,546
Interest on the total pension liability	8,961	9,553	8,411	9,665	8,856
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,603)	(12,821)	(2,443)	(10,829)	-
Changes of assumptions or other inputs	117,126	10,227	(13,499)	18,791	(7,084)
Benefit payments	(10,272)	(10,272)	(18,311)	(16,512)	(13,467)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 400,139</u>	<u>\$ 280,021</u>	<u>\$ 267,571</u>	<u>\$ 275,321</u>	<u>\$ 258,643</u>

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

Town of Pembroke, 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>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 400,139	\$ 280,021	\$ 267,571	\$ 275,321	\$ 258,643
Covered payroll	571,689	619,372	584,140	581,601	597,173
Total pension liability as a percentage of covered payroll	69.99%	45.21%	45.81%	47.34%	43.31%

Notes to the schedules:

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

Town of Pembroke, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 92,694	\$ 89,010	\$ 95,322	\$ 109,657
Interest	68,844	77,373	70,882	62,765
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	3,804	(214,695)	8,362	17,072
Changes of assumptions or other inputs	603,054	(29,025)	(130,825)	(231,787)
Benefit payments	(31,999)	(42,677)	(48,879)	(54,845)
Net change in total OPEB liability	736,397	(120,014)	(5,138)	(97,138)
Total OPEB liability - beginning	1,890,149	2,010,163	2,015,301	2,112,439
Total OPEB liability - ending	\$ 2,626,546	\$ 1,890,149	\$ 2,010,163	\$ 2,015,301
Covered payroll	\$ 1,406,711	\$ 1,406,711	\$ 1,219,465	\$ 1,219,465
Total OPEB liability as a percentage of covered payroll	186.72%	134.37%	164.84%	165.26%

Notes to the schedules:

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

<u>Fiscal Year</u>	<i>Rate</i>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

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

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Ad Valorem taxes			
Current year	\$	\$ 1,289,617	\$
Prior years		88,535	
Tax penalties		16,431	
Tax discounts		(5,434)	
Total	<u>1,389,162</u>	<u>1,389,149</u>	<u>(13)</u>
Other taxes and licenses			
Local sales tax		1,021,897	
Privilege licenses		8,785	
Total	<u>1,030,682</u>	<u>1,030,682</u>	<u>-</u>
Unrestricted intergovernmental			
Payments in lieu of taxes		27,127	
Utility franchise tax		253,703	
ABC store profit distribution		38,297	
Beer and wine tax		13,557	
Total	<u>332,684</u>	<u>332,684</u>	<u>-</u>
Restricted intergovernmental			
Powell bill allocation		87,218	
Grants		186,323	
Courtroom facility		1,811	
School resource officer reimbursement		27,260	
Total	<u>317,716</u>	<u>302,612</u>	<u>(15,104)</u>
Sales and services			
Sanitation fees		570,176	
Total	<u>570,176</u>	<u>570,176</u>	<u>-</u>
Investment earnings	<u>9,210</u>	<u>9,210</u>	<u>-</u>
Miscellaneous			
Fire protection service fee		26,427	
125 Celebration		1,525	
Police donations and park sponsorships		2,000	
Park revenue and fees		46,621	
U. S. Cellular lease		16,200	
American Towers lease		30,418	
Alltel Corporation		38,405	
Bellsouth lease		19,428	
Traffic and noise violations		175	
Golf-cart permits		2,470	
Miscellaneous income		42,543	
Total	<u>226,162</u>	<u>226,212</u>	<u>50</u>
Total revenues	<u>\$ 3,875,792</u>	<u>\$ 3,860,725</u>	<u>\$ (15,067)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Expenditures:</u>			
General Government			
Governing body			
Board remuneration and benefits	\$	\$ 37,756	\$
Professional fees		61,412	
Travel		-	
Dues and subscriptions		5,240	
Insurance and bonds		13,946	
Capital outlay		-	
Miscellaneous expense		4,464	
Total	<u>122,818</u>	<u>122,818</u>	<u>-</u>
Administration			
Salaries and benefits		114,130	
Professional service		58,333	
Telephone and postage		18,011	
Travel and school		614	
Maintenance and repairs - equipment		5,996	
Maintenance and repairs - automobiles		8	
Supplies - automobiles		498	
Supplies - departmental		32,023	
Dues and subscriptions		945	
Insurance and bonds		10,895	
Capital outlay		7,004	
Miscellaneous		1,970	
Total	<u>250,427</u>	<u>250,427</u>	<u>-</u>
Courthouse			
Postage and telephone		1,135	
Utilities		1,367	
Rent		18,000	
Total	<u>20,502</u>	<u>20,502</u>	<u>-</u>
Public buildings and grounds			
Utilities		33,183	
Parking lot rental		52,700	
Downtown grant		10,000	
Maintenance and repairs		220,461	
Total	<u>316,344</u>	<u>316,344</u>	<u>-</u>
Total general government	<u>\$ 710,091</u>	<u>\$ 710,091</u>	<u>\$ -</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Expenditures (continued):</u>			
Public safety			
Police			
Salaries and benefits	\$	\$ 895,866	\$
Telephone and postage		27,005	
Travel and schools		1,701	
Maintenance and repairs - equipment		14,488	
Maintenance and repairs - vehicles		8,314	
Supplies - vehicles		39,618	
Supplies - departmental		119,155	
Uniforms		13,997	
Insurance and bonds		33,635	
Capital outlay		44,055	
Miscellaneous expense		12,886	
Total	<u>1,210,720</u>	<u>1,210,720</u>	<u>-</u>
Fire department			
Salaries and benefits		18,782	
Telephone and postage		6,260	
Utilities		5,233	
Travel		1,357	
Maintenance and repairs - equipment		1,854	
Maintenance and repairs - vehicles		6,854	
Supplies - vehicles		1,914	
Supplies - departmental		28,696	
Dues and subscriptions		1,975	
Insurance and bonds		13,957	
Miscellaneous expense		1	
Capital outlay		76,118	
Total	<u>163,001</u>	<u>163,001</u>	<u>-</u>
Contribution to rescue squad	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total public safety	<u>\$ 1,381,221</u>	<u>\$ 1,381,221</u>	<u>\$ -</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Expenditures (continued):</u>			
Transportation			
Streets			
Utilities	\$	\$ 50,282	\$
Maintenance and repairs		11,289	
Supplies - vehicles		21,486	
Supplies - departmental		36,551	
Miscellaneous		58	
Capital outlay		21,778	
Insurance and bonds		15,202	
Total	<u>156,646</u>	<u>156,646</u>	<u>-</u>
 Powell Bill			
Contracted services		10,289	
Insurance and bonds		5,565	
Total	<u>15,854</u>	<u>15,854</u>	<u>-</u>
 Total transportation	<u>172,500</u>	<u>172,500</u>	<u>-</u>
 Environmental protection			
Contractual services		415,712	
Landfill fees		94,956	
Total environmental protection	<u>510,668</u>	<u>510,668</u>	<u>-</u>
 Cultural and recreational			
Recreation			
Salaries and benefits		150,141	
Telephone and postage		4,511	
Utilities		17,380	
Travel		-	
Maintenance and repair		28,024	
Supplies - vehicles		713	
Supplies - departmental		66,934	
Laundry		573	
Contracted services		14,401	
Insurance and bonding		13,255	
Dues and subscriptions		190	
Capital outlay		-	
Miscellaneous		157,631	
Total	<u>453,753</u>	<u>453,753</u>	<u>-</u>
 Contribution to county library	<u>\$ 26,075</u>	<u>\$ 26,075</u>	<u>\$ -</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Expenditures (continued):</u>			
Support of charities and cultural events			
Miscellaneous contributions	\$ 19,631	\$ 19,631	\$ -
Total	<u>19,631</u>	<u>19,631</u>	<u>-</u>
Total cultural and recreational	<u>499,459</u>	<u>499,459</u>	<u>-</u>
Debt service			
Principal retirement		206,188	
Interest and fees		74,552	
Total debt service	<u>280,740</u>	<u>280,740</u>	<u>-</u>
Contingency	<u>321,113</u>	<u>-</u>	<u>321,113</u>
Total expenditures	<u>3,875,792</u>	<u>3,554,679</u>	<u>321,113</u>
Revenues over (under) expenditures	<u>-</u>	<u>306,046</u>	<u>306,046</u>
Other financing sources (uses)			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>306,046</u>	<u>\$ 306,046</u>
Fund balances - beginning of year		<u>2,159,802</u>	
Fund balances - end of year		<u>\$ 2,465,848</u>	

Town of Pembroke, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Community Development Fund	Recreation Fund	Streetscape Fund	System Development Fund		
Assets						
Cash	\$ 21,753	\$ -	\$ -	\$ 449,032	\$ 449,032	\$ 470,785
Due from general fund	-	-	-	-	-	-
Total assets	<u>\$ 21,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,032</u>	<u>\$ 449,032</u>	<u>\$ 470,785</u>
Liabilities and Fund Balance						
Accounts payable	\$ -	\$ 125,432	\$ 426,044	\$ -	\$ -	\$ 551,476
Total liabilities	<u>-</u>	<u>125,432</u>	<u>426,044</u>	<u>-</u>	<u>-</u>	<u>551,476</u>
Fund balance	<u>21,753</u>	<u>(125,432)</u>	<u>(426,044)</u>	<u>449,032</u>	<u>(102,444)</u>	<u>(80,691)</u>
Total liabilities and fund balance	<u>\$ 21,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,032</u>	<u>\$ (102,444)</u>	<u>\$ 470,785</u>

Town of Pembroke, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Community Development Fund	Recreation Fund	Streetscape Fund	System Development Fund		
Revenues						
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating contributions	-	49,833	-	202,032	251,865	251,865
Total revenues	-	49,833	-	202,032	251,865	251,865
Expenditures						
Economic and physical development						
Capital outlay	-	182,265	411,619	-	593,884	593,884
Revenues over (under) expenditures	-	(132,432)	(411,619)	202,032	(342,019)	(342,019)
Fund balance, beginning	21,753	7,000	(14,425)	247,000	239,575	261,328
Fund balance, ending	\$ 21,753	\$ (125,432)	\$ (426,044)	\$ 449,032	\$ (102,444)	\$ (80,691)

Town of Pembroke, North Carolina
Special Revenue Fund – Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<u>Revenues</u>					
Building Reuse and restoration					
CDBG	\$ 64,832	\$ 25,204	\$ -	\$ 25,204	\$ (39,628)
Housing improvement fund					
Owner contributions	-	30,977	-	30,977	30,977
Investment earnings	-	193	-	193	193
Total revenue	<u>64,832</u>	<u>56,374</u>	<u>-</u>	<u>56,374</u>	<u>(8,458)</u>
<u>Expenditures</u>					
Building Reuse and restoration					
Construction and administration	64,832	25,204	-	25,204	39,628
Housing improvement fund					
Construction and administration	-	9,417	-	9,417	(9,417)
Total expenditures	<u>64,832</u>	<u>34,621</u>	<u>-</u>	<u>34,621</u>	<u>30,211</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 21,753</u>	<u>-</u>	<u>\$ 21,753</u>	<u>\$ 21,753</u>
Fund balance - beginning of year			<u>21,753</u>		
Fund balance - end of year			<u>\$ 21,753</u>		

Town of Pembroke, North Carolina
Special Revenue Fund – Recreation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<u>Revenues</u>					
Recreation - splash pad - contributions	\$ 153,750	\$ 7,000	\$ 49,833	\$ 56,833	\$ (96,917)
PARTF Grant	153,750	-	-	-	(153,750)
Total revenues	<u>307,500</u>	<u>7,000</u>	<u>49,833</u>	<u>56,833</u>	<u>(250,667)</u>
<u>Expenditures</u>					
Splashpad expenses	307,500	-	182,265	-	125,235
Total expenditures	<u>307,500</u>	<u>-</u>	<u>182,265</u>	<u>-</u>	<u>125,235</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 7,000</u>	(132,432)	<u>\$ 56,833</u>	<u>\$ (125,432)</u>
Fund balance - beginning of year			<u>7,000</u>		
Fund balance - end of year			<u>\$ (125,432)</u>		

Town of Pembroke, North Carolina
Special Revenue Fund – Streetscape Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<u>Revenues</u>					
Streetscape project	\$ 466,388	\$ -	\$ -	\$ -	\$ (466,388)
Total revenues	<u>466,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(466,388)</u>
<u>Expenditures</u>					
Streetscape project expenses	466,388	14,425	411,619	426,044	54,769
Total expenditures	<u>466,388</u>	<u>14,425</u>	<u>411,619</u>	<u>426,044</u>	<u>54,769</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (14,425)</u>	<u>(411,619)</u>	<u>\$ (426,044)</u>	<u>\$ (411,619)</u>
Fund balance - beginning of year			<u>(14,425)</u>		
Fund balance - end of year			<u>\$ (426,044)</u>		

Town of Pembroke, North Carolina
Special Revenue Fund – System Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<u>Revenues</u>					
Contributions	\$ 449,032	\$ 247,000	\$ 202,032	\$ 449,032	\$ -
Total revenues	449,032	247,000	202,032	449,032	-
<u>Expenditures</u>					
Expenses	449,032	-	-	-	449,032
Total expenditures	449,032	-	-	-	449,032
Revenues over (under) expenditures	\$ -	\$ 247,000	202,032	\$ 449,032	\$ 449,032
Fund balance - beginning of year			247,000		
Fund balance - end of year			\$ 449,032		

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Operating revenue:			
Charges for services			
Water and sewer revenue	\$	\$ 2,368,248	\$
Taps and connections		32,490	
Reconnection fees		6,538	
Capacity replacement fee		-	
Miscellaneous income		140,288	
Total operating revenues	<u>2,559,950</u>	<u>2,547,564</u>	<u>(12,386)</u>
Non-operating revenues:			
Interest income	<u>-</u>	<u>12,386</u>	<u>12,386</u>
Total revenues	<u>2,559,950</u>	<u>2,559,950</u>	<u>-</u>
<u>Expenditures:</u>			
Public works administration:			
Salaries and benefits		408,844	
Professional services		37,061	
Telephone and postage		8,260	
Utilities		14,194	
Travel and school		467	
Maintenance and repairs -equipment		22,211	
Maintenance and repairs - vehicles		3,671	
Supplies - vehicles		10,801	
Supplies - departmental		31,605	
Laundry		1,194	
Contractual services		-	
Dues and subscriptions		927	
Insurance and bonds		13,808	
Capital outlay		-	
Miscellaneous		1,710	
Total public works administration	<u>\$ 586,659</u>	<u>\$ 554,753</u>	<u>\$ 31,906</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Expenditures (continued):</u>			
Water department:			
Salaries and benefits	\$	\$ 346,094	\$
Professional services		1,888	
Postage and telephone		1,260	
Utilities		18,660	
Travel		1,148	
Maintenance and repairs - equipment		152,661	
Maintenance and repairs - vehicles		93	
Supplies - vehicles		4,078	
Supplies - departmental		67,767	
Laundry		3,633	
Dues and subscriptions		4,828	
Insurance and bonding		19,302	
Capital outlay		704,815	
Miscellaneous		927	
Total water department	<u>1,351,970</u>	<u>1,327,154</u>	<u>24,816</u>
Sewer department:			
Salaries and benefits		366,191	
Professional services		28,341	
Postage and telephone		15,655	
Utilities		119,730	
Travel		205	
Maintenance and repairs - equipment		140,116	
Maintenance and repairs - vehicles		535	
Supplies - departmental		161,947	
Laundry		1,462	
Contractual service		7,285	
Dues and subscriptions		1,927	
Insurance and bonding		34,160	
Sludge removal		150,932	
Miscellaneous		6,745	
Capital outlay		42,469	
Total sewer department	<u>\$ 1,096,383</u>	<u>\$ 1,077,700</u>	<u>\$ 18,683</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Expenditures (continued):</u>			
Contingency	\$ -	\$ -	\$ -
Debt service:			
Principal retirement		243,679	
Interest		68,721	
Total debt service	<u>312,400</u>	<u>312,400</u>	<u>-</u>
Total expenditures	<u>3,347,412</u>	<u>3,272,007</u>	<u>75,405</u>
Revenues over (under) expenditures	(787,462)	(712,057)	75,405
Other financing sources (uses)			
Capitalized lease	697,565	697,565	-
Appropriated fund balance	<u>89,897</u>	<u>-</u>	<u>(89,897)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (14,492)</u>	<u>\$ (14,492)</u>

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

Revenues over (under) expenditures \$ (14,492)

Reconciling items:

Principal retirement	243,679
Capital outlay	747,284
Decrease in deferred outflows of resources - pensions	36,314
Decrease in deferred outflows of resources - OPEB	241,180
Increase in net pension liability	(77,925)
Decrease in OPEB liability	(331,379)
Increase in deferred inflows of resources - pensions	(12,920)
Increase in deferred inflows of resources - OPEB	31,647
Capitalized lease	(697,565)
Depreciation	(526,629)
Other	(85,084)
Capital contributions	<u>263,698</u>

Change in net position \$ (182,192)

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

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<u>Revenues - Water project</u>				
Restricted intergovernmental				
Revitalization grant	100,000	96,107	4,877	100,984
NC Dept of Commerce - Rural				
Economic Division				
Downtown revitalization	100,000	100,000	9,100	109,100
UNCP Stormwater project	893,291	1,025,342	213,698	1,239,040
Sewer Asset Inventory project	157,500	150,000	-	150,000
Local match	1,874	1,874	-	1,874
Lift station project	210,171	-	-	-
Water treatment	1,542,840	-	-	-
NC Disaster Recovery	280,050	280,000	50	280,050
NC water infrastructure grant	150,000	25,377	35,973	61,350
Total revenues	3,435,726	1,678,700	263,698	1,942,398
<u>Expenditures - Sewer improvements</u>				
Revitalization grant	100,000	83,491	-	83,491
NC Dept of Commerce - Rural				
Economic Division				
Downtown revitalization	100,000	95,100	11,100	106,200
UNCP Stormwater project:				
Design	140,000	120,313	-	120,313
Construction	753,291	904,643	198,000	1,102,643
Sewer Asset Inventory project	159,374	173,341	(21,467)	151,874
Lift station project	510,171	61,435	335,735	397,170
Water treatment	1,542,840	12,750	93,895	106,645
NC Disaster Recovery	280,050	-	58,492	58,492
Water asset inventory project	150,000	25,377	87,073	112,450
Total expenditures	3,735,726	1,476,450	762,828	2,239,278
Revenues over (under) expenditures	(300,000)	202,250	(499,130)	(296,880)
Other financing sources:				
Loan proceeds	300,000	300,000	-	300,000
Revenues and other financing sources over (under) expenditures	\$ -	\$ 502,250	\$ (499,130)	\$ 3,120

Other Schedules

Town of Pembroke, 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	\$ -	\$ 1,338,640	\$ 1,289,617	\$ 49,023
2019-2020	85,500	-	64,630	20,870
2018-2019	22,328	-	10,243	12,085
2017-2018	12,501	-	3,890	8,611
2016-2017	14,743	-	6,273	8,470
2015-2016	4,442	-	2,113	2,329
2014-2015	3,912	-	1,588	2,324
2013-2014	1,496	-	131	1,365
2012-2013	4,357	-	1,139	3,218
2011-2012	5,325	-	1,325	4,000
2010-2011	5,132	-	5,132	-
	-	-	-	-
	<u>\$ 159,736</u>	<u>\$ 1,338,640</u>	<u>\$ 1,386,081</u>	<u>112,295</u>

Less: allowance for uncollected accounts

-

Ad valorem taxes receivable - net

\$ 112,295

Reconciliation to revenues

Ad valorem taxes - General Fund	\$ 1,389,149
Reconciling items -	
Penalties collected	(16,431)
Discounts allowed	5,434
Other credits and refunds	13,061
Taxes written off per statute penalty and interest collected	<u>(5,132)</u>
Total collections and credits	<u><u>\$ 1,386,081</u></u>

Town of Pembroke, North Carolina
Analysis of Current Year Tax Levy –
Town-wide Levy
For the Year Ended June 30, 2021

	<u>Town-wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate (per \$100)</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Real and personal property less senior citizen and religious exemptions	\$195,811,406	0.64	\$1,253,193	\$1,253,193	\$ -
Vehicles	<u>13,351,094</u>	0.64	<u>85,447</u>	<u>-</u>	<u>85,447</u>
Net levy	209,162,500	0.64	1,338,640	1,253,193	85,447
Uncollected taxes - June 30, 2021			<u>49,023</u>	<u>46,132</u>	<u>2,891</u>
Current year taxes collected			<u><u>\$1,289,617</u></u>	<u><u>\$1,207,061</u></u>	<u><u>\$ 82,556</u></u>
Current levy collection percentage			<u><u>96.34%</u></u>	<u><u>96.32%</u></u>	<u><u>96.62%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely present component units, each major fund, and the aggregate remaining fund information of the Town of Pembroke, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Pembroke, North Carolina's basic financial statements, and have issued our report thereon dated November 10, 2021. The financial statements of the Pembroke ABC Board and Pembroke Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Pembroke, North Carolina's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Pembroke, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pembroke, North Carolina's internal control.

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

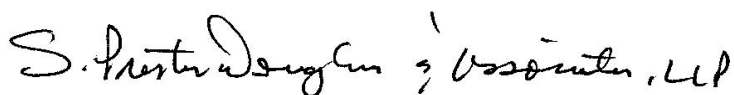
Our consideration of internal control was for a limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pembroke, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
November 10, 2021