

REVIEWED

By SLGFD at 12:22 pm, Nov 23, 2021

TOWN OF ROSE HILL
Rose Hill, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2021

TOWN OF ROSE HILL

Rose Hill, North Carolina

MAYOR

Clayton Herring Jr.

BOARD OF COMMISSIONERS

Marsha F. Whaley, Mayor Pro-Tempore

Gary Boney

Jonathan Murphy

Ross Powell

Billy Wilson

ADMINISTRATIVE AND FINANCIAL STAFF

John Bauer

Town Administrator

Angela Smith

Town Clerk

Vickie Dixon

Administrative Staff

Town of Rose Hill, North Carolina
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June 30, 2021

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FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Board
Rose Hill, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Funding Progress and Employer Contributions, the Other Postemployment Benefit's Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Rose Hill, 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 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedule, 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 October 28, 2021 on our consideration of Town of Rose Hill'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 Rose Hill's internal control over financial reporting and compliance.

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

Wilmington, North Carolina

October 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Rose Hill, we offer readers of the Town of Rose Hill's financial statements this narrative overview and analysis of the financial activities of the Town of Rose Hill for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

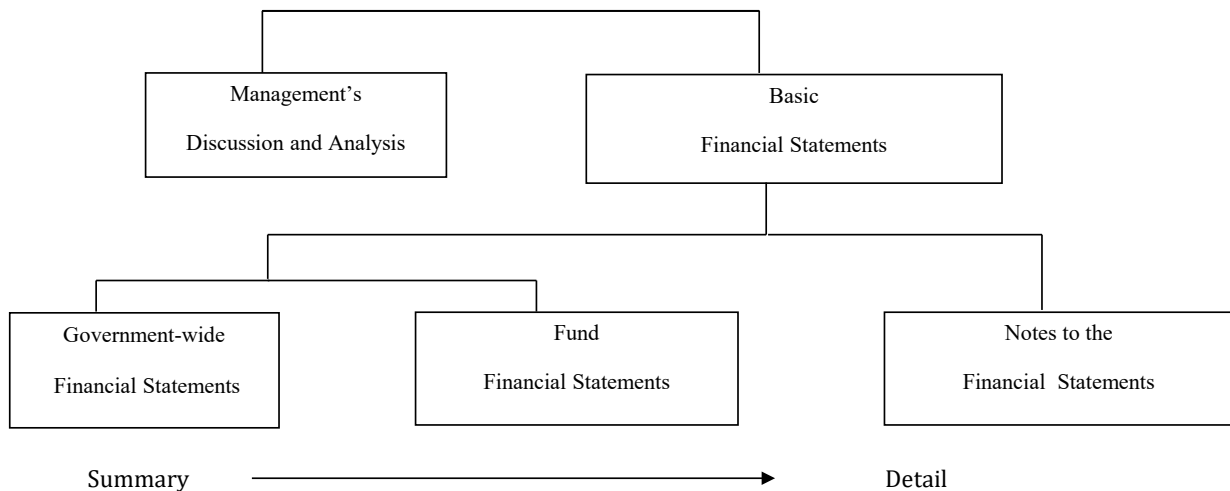
- The assets and deferred outflows of resources of the Town of Rose Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,618,488 (*net position*) .
- The government's total net position decreased by \$152,769, primarily due to debt payoffs in the governmental-type and business-type activities net position.
- As of the close of the current fiscal year, the Town of Rose Hill's governmental fund reported an ending fund balance of \$1,076,229 with a net decrease of \$270,933 in fund balance. Approximately, 11.53% of this total amount, or \$124,037, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$952,192 or 67.72% of total general fund expenditures for the fiscal year.
- The Town of Rose Hill's total debt decreased by \$1,715,046 during the current fiscal year due to regularly scheduled principal payments and paid off sewer bond and fire truck.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town of Rose Hill.

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

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Rose Hill, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Rose Hill can be divided into two categories: governmental funds and proprietary fund.

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

The Town of Rose Hill adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Fund - Town of Rose Hill has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Rose Hill uses enterprise funds to account for its water and sewer fund activity and for its solid waste operations. 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 follow Exhibit 8 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Rose Hill's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes to the Financial Statements.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

Town of Rose Hill's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,150,736	\$ 1,431,277	\$ 990,521	\$ 2,072,744	\$ 2,141,257	\$ 3,504,021
Capital assets	990,547	987,448	7,725,678	8,082,059	8,716,225	9,069,507
Deferred outflows of resources	275,629	188,996	116,379	81,878	392,008	270,874
Total assets	2,416,912	2,607,721	8,832,578	10,236,681	11,249,490	12,844,402
Long-term liabilities outstanding	828,655	903,676	621,922	1,861,210	1,450,577	2,764,886
Other liabilities	34,949	83,422	63,127	153,373	98,076	236,795
Deferred inflows of resources	52,420	44,952	29,929	26,512	82,349	71,464
Total liabilities	916,024	1,032,050	714,978	2,041,095	1,631,002	3,073,145
Net position:						
Net investment in capital assets	990,547	713,433	7,585,480	6,500,830	8,576,027	7,214,263
Restricted	124,037	115,147	-	-	124,037	115,147
Unrestricted	386,304	747,091	532,120	1,694,756	918,424	2,441,847
Total net position	\$ 1,500,888	\$ 1,575,671	\$ 8,117,600	\$ 8,195,586	\$ 9,618,488	\$ 9,771,257

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rose Hill exceeded liabilities and deferred inflows by \$9,618,488 as of June 30, 2021. The Town's net position decreased by \$152,769 for the fiscal year ended June 30, 2021. However, the Town's largest portion, \$8,576,027 (89%), reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Town of Rose Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rose Hill's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Rose Hill's net position of \$124,037 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$918,424 is unrestricted.

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

- Decrease in revenues.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.13%.

Town of Rose Hill's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for services	\$ 30,590	\$ 179,637	\$ 1,091,504	\$ 859,311	\$ 1,122,094	\$ 1,038,948
Operating grants and contributions	108,889	193,369	-	-	108,889	193,369
Capital grants and contributions	-	75,000	-	-	-	75,000
General revenues:						
Property taxes	560,080	535,509	-	-	560,080	535,509
Other taxes	606,547	557,064	-	-	606,547	557,064
Grants and contributions not restricted to specific programs	-	-	8,550	-	-	-
Other	15,206	12,429	10,339	24,834	25,545	37,263
Total revenues	1,321,312	1,553,008	1,110,393	884,145	2,423,155	2,437,153
Expenses:						
General government	268,082	321,188	-	-	268,082	321,188
Public safety	699,841	721,818	-	-	699,841	721,818
Transportation	172,075	189,897	-	-	172,075	189,897
Environmental protections	87,873	114,024	-	-	87,873	114,024
Cultural and recreation	161,671	77,430	-	-	161,671	77,430
Interest on long-term debt	6,553	9,049	6,915	40,047	13,468	49,096
Water and sewer	-	-	1,181,464	870,880	1,181,464	870,880
Other	-	-	-	-	-	-
Total expenses	1,396,095	1,433,406	1,188,379	910,927	2,584,474	2,344,333
Increase (decrease) in net position before transfers	(74,783)	119,602	(77,986)	(26,782)	(161,319)	92,820
Increase (decrease) in net position	(74,783)	119,602	(77,986)	(26,782)	(152,769)	92,820
Net position, beginning	1,575,671	1,456,069	8,195,586	8,222,368	9,771,257	9,678,437
Net position-ending	\$ 1,500,888	\$ 1,575,671	\$ 8,117,600	\$ 8,195,586	\$ 9,618,488	\$ 9,771,257

Governmental activities: Governmental activities decreased the Town's net position by \$74,783 hereby accounting for 49% of the total decrease in the net position of the Town of Rose Hill. Key element of this increase are as follows:

- Decrease in revenues.

Business-type activities: Business-type activities decreased the Town's net position by \$77,986, accounting for 51% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- Increase in revenues.
- Increase in expenses. A key of this increase was due to debt payoffs.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Rose Hill. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$952,192 while total fund balance reached \$1,083,320. The Town currently has an available fund balance of 59.92% of general fund expenditures, while total fund balance represents 67.72% of the same amount.

At June 30, 2021, the governmental funds of Town of Rose Hill reported a combined fund balance of \$1,076,229, with a net decrease in fund balance of \$270,933.

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

Proprietary Fund. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$501,621. The total decrease in net position was \$77,986. The change in net position in the Water and Sewer Fund is a result of increase water expenses.

Capital Asset and Debt Administration

Capital assets. The Town of Rose Hill's net investment in capital assets for its governmental and business type activities as of June 30, 2021, totals \$8,716,225 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Purchased new police vehicles and steer loader for Governmental capital assets.
- Purchased a dump truck for Governmental capital assets.

Major capital asset retirements:

- Sold police vehicles in Govenmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 81,475	\$ 81,475	\$ 73,285	\$ 73,285	\$ 154,760	\$ 154,760
Buildings and other systems	16,443	20,504	7,383,546	7,660,760	7,399,989	7,681,264
Vehicles and equipment	560,463	544,562	268,847	348,014	829,310	892,576
Infrastructure	332,166	340,908	-	-	332,166	340,908
Total	<u>\$ 990,547</u>	<u>\$ 987,448</u>	<u>\$ 7,725,678</u>	<u>\$ 8,082,059</u>	<u>\$ 8,716,225</u>	<u>\$ 9,069,507</u>

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

Long-term Debt. As of June 30, 2021 the Town of Rose Hill had total debt outstanding of \$140,198. The legal debt margin of the Town is \$5,931,776.

Additional information regarding the Town of Rose Hill's long-term debt can be found in the notes to the financial statements.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Question concerning any of the information found in this report or requests for additional information should be directed to John Bauer, P.O. Box 8, Rose Hill, NC 28458 or by calling 910-289-3159.

BASIC FINANCIAL STATEMENTS

Town of Rose Hill, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 987,141	\$ 818,775	\$ 1,805,916
Restricted cash and cash equivalents	-	102,529	102,529
Internal balances	2,528	(2,528)	-
Tax receivables (net)	33,426	-	33,426
Accounts receivable (net)	127,641	71,745	199,386
Total Current Assets	<u>1,150,736</u>	<u>990,521</u>	<u>2,141,257</u>
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	81,475	73,285	154,760
Other capital assets, net of depreciation	<u>909,072</u>	<u>7,652,393</u>	<u>8,561,465</u>
Total capital assets	<u>990,547</u>	<u>7,725,678</u>	<u>8,716,225</u>
Total assets	<u>2,141,283</u>	<u>8,716,199</u>	<u>10,857,482</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	222,969	81,272	304,241
OPEB deferrals	<u>52,660</u>	<u>35,107</u>	<u>87,767</u>
Total deferred outflows of resources	<u>275,629</u>	<u>116,379</u>	<u>392,008</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	34,949	50,725	85,674
Due within one year	-	12,915	12,915
Liabilities payable from restricted assets:			
Deposits	-	102,529	102,529
Long-term liabilities:			
Net pension liability	222,338	148,226	370,564
Total pension liability	<u>244,507</u>	<u>-</u>	<u>244,507</u>
Total OPEB Liability	<u>339,623</u>	<u>226,416</u>	<u>566,039</u>
Due in more than one year	<u>22,187</u>	<u>144,238</u>	<u>166,425</u>
Total liabilities	<u>863,604</u>	<u>685,049</u>	<u>1,548,653</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	22,250	9,816	32,066
OPEB deferrals	<u>30,170</u>	<u>20,113</u>	<u>50,283</u>
Total deferred inflows of resources	<u>52,420</u>	<u>29,929</u>	<u>82,349</u>
NET POSITION			
Net investment in capital assets	990,547	7,585,480	8,576,027
Restricted for:			
Stabilization by State Statute	131,128	-	131,128
Streets	-	-	-
Committed			
Economic development	(7,091)	-	(7,091)
Unrestricted (deficit)	<u>386,304</u>	<u>532,120</u>	<u>918,424</u>
Total net position	<u>\$ 1,500,888</u>	<u>\$ 8,117,600</u>	<u>\$ 9,618,488</u>

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

Town of Rose Hill, 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	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 268,082	\$ 21,554	\$ 59,243	\$ -	\$ (187,285)	\$ -	\$ (187,285)
Public safety	699,841	-	-	-	(699,841)	-	(699,841)
Cultural and recreation	161,671	9,036	-	-	(152,635)	-	(152,635)
Transportation	172,075	-	49,646	-	(122,429)	-	(122,429)
Environmental protection	87,873	-	-	-	(87,873)	-	(87,873)
Interest on long-term debt	6,553	-	-	-	(6,553)	-	(6,553)
Total governmental activities	<u>1,396,095</u>	<u>30,590</u>	<u>108,889</u>	<u>-</u>	<u>(1,256,616)</u>	<u>-</u>	<u>(1,256,616)</u>
Business-type activities:							
Water and sewer	1,181,464	1,091,504	-	-	-	(89,960)	(89,960)
Interest on long-term debt	6,915	-	-	-	-	(6,915)	(6,915)
Total business-type activities	<u>1,188,379</u>	<u>1,091,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,875)</u>	<u>(96,875)</u>
Total Government	<u>\$ 2,584,474</u>	<u>\$ 1,122,094</u>	<u>\$ 108,889</u>	<u>\$ -</u>	<u>-</u>	<u>(96,875)</u>	<u>(1,353,491)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					560,080	-	560,080
Local option sales tax					517,487	-	517,487
Other taxes and licenses					89,060	-	89,060
Grants and contributions not restricted to specific programs					-	8,550	8,550
Investment earnings, unrestricted					206	305	511
Miscellaneous, unrestricted					15,000	10,034	25,034
Total general revenues, not including transfers					<u>1,181,833</u>	<u>18,889</u>	<u>1,200,722</u>
Transfers							
Total general revenues and transfers					<u>1,181,833</u>	<u>18,889</u>	<u>1,200,722</u>
Change in net position					(74,783)	(77,986)	(152,769)
Net position, beginning					<u>1,575,671</u>	<u>8,195,586</u>	<u>9,771,257</u>
Net position-ending					<u>\$ 1,500,888</u>	<u>\$ 8,117,600</u>	<u>\$ 9,618,488</u>

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

Town of Rose Hill, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

	<u>Major Fund</u>	<u>Special Fund</u>	
	<u>General Fund</u>	<u>Reserve Grant - Feasibility Study</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 987,141	\$ -	\$ 987,141
Restricted cash	-	-	-
Receivables, net:			
Taxes	33,426	-	33,426
Accounts	29,132	-	29,132
Due from other funds	9,619	-	9,619
Due from other governments	92,377	-	92,377
Total assets	<u>1,151,695</u>	<u>-</u>	<u>1,151,695</u>
LIABILITIES			
Accounts payable and accrued liabilities	34,949	-	34,949
Due to other funds	-	7,091	7,091
Total liabilities	<u>34,949</u>	<u>7,091</u>	<u>42,040</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	33,426	-	33,426
Total deferred inflows of resources	<u>33,426</u>	<u>-</u>	<u>33,426</u>
FUND BALANCES			
Restricted			
Stabilization by state statute	131,128	-	131,128
Committed			
Economic development	-	(7,091)	(7,091)
Unassigned	952,192	-	952,192
Total fund balances	<u>1,083,320</u>	<u>(7,091)</u>	<u>1,076,229</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,151,695</u>	<u>\$ -</u>	<u>1,151,695</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			990,547
Deferred outflows of resources related to pensions are not reported in the funds.			222,969
Deferred outflows of resources related to OPEB are not reported in the funds			52,660
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			33,426
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.			6,132
Deferred inflows of resources related to pensions are not reported in the funds.			(22,250)
Deferred inflows of resources related to OPEB are not reported in the funds			(30,170)
Net pension liability.			(222,338)
Total pension liability.			(244,507)
OPEB Liability			(339,623)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)			<u>(22,187)</u>
Net position of governmental activities			<u>\$ 1,500,888</u>

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

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

	<u>Major Fund</u>	<u>Special Fund</u>	
	<u>General Fund</u>	<u>Reserve Grant - Feasibility Study</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 557,051	\$ -	\$ 557,051
Unrestricted intergovernmental	606,547	-	606,547
Restricted intergovernmental	108,889	-	108,889
Permits and fees	11,260	-	11,260
Sales and services	34,330	-	34,330
Investment earnings	206	-	206
Total revenues	<u>1,318,283</u>	<u>-</u>	<u>1,318,283</u>
EXPENDITURES			
Current:			
General government	250,302	7,091	257,393
Public safety	582,814	-	582,814
Transportation	233,387	-	233,387
Cultural and recreational	115,054	-	115,054
Environmental protection	120,000	-	120,000
Debt service:			
Principal and interest	<u>280,568</u>	<u>-</u>	<u>280,568</u>
Total expenditures	<u>1,582,125</u>	<u>7,091</u>	<u>1,589,216</u>
Excess (deficiency) of revenues over expenditures	<u>(263,842)</u>	<u>(7,091)</u>	<u>(270,933)</u>
Net change in fund balance	(263,842)	(7,091)	(270,933)
Fund balances-beginning	1,347,162	-	1,347,162
Fund balances-ending	<u>\$ 1,083,320</u>	<u>\$ (7,091)</u>	<u>1,076,229</u>

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

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

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

Net changes in fund balances - total governmental funds	\$	(270,933)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	146,283	
Depreciation expense for governmental assets	<u>(143,185)</u>	3,098

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		65,174
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		(9,361)
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		8,669
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue for tax revenues		(3,029)

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:

Other post employment benefits	76,003	
Pension expense	(226,469)	
OPEB plan expense	18,946	
Compensated absences	(10,896)	

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	<u>274,015</u>
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Total changes in net position of governmental activities	<u>\$</u>	<u>(74,783)</u>
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Town of Rose Hill, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance With Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 432,000	\$ 496,100	\$ 557,051	\$ 60,951
Other taxes and licenses	64,100	-	-	-
Unrestricted intergovernmental	400,000	489,680	606,547	116,867
Restricted intergovernmental	-	257,178	108,889	(148,289)
Permit and fees	-	20,438	11,260	(9,178)
Sales and services	157,168	11,200	34,330	23,130
Investment earnings	-	12,540	206	(12,334)
Miscellaneous	-	-	-	-
Total revenues	<u>1,053,268</u>	<u>1,287,136</u>	<u>1,318,283</u>	<u>31,147</u>
Expenditures				
Current:				
General government	242,469	269,360	250,302	19,058
Public safety	550,564	669,397	582,814	86,583
Transportation	111,665	258,044	233,387	24,657
Environmental protection	-	120,000	120,000	-
Cultural and recreational	145,070	129,835	115,054	14,781
Debt service:				
Principal retirement and interest charges	44,000	280,568	280,568	-
Total expenditures	<u>1,093,768</u>	<u>1,727,204</u>	<u>1,582,125</u>	<u>145,079</u>
Revenues over (under) expenditures	(40,500)	(440,068)	(263,842)	176,226
Fund balance appropriated	<u>40,500</u>	<u>440,068</u>	<u>-</u>	<u>(440,068)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	(263,842)	\$ <u>(263,842)</u>
Fund balances:				
Beginning of year, July 1			1,347,162	
End of year, June 30			<u>\$ 1,083,320</u>	

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

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

	Water & Sewer Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 780,671	\$ 38,104	\$ 818,775
Restricted cash and cash equivalents	102,529	-	102,529
Accounts Receivable (net)	71,745	-	71,745
Total	<u>954,945</u>	<u>38,104</u>	<u>993,049</u>
Non-current Assets			
Capital assets (net of depreciation)	7,725,678	-	7,725,678
Total assets	<u>8,680,623</u>	<u>38,104</u>	<u>8,718,727</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	81,272	-	81,272
OPEB deferrals	35,107	-	35,107
Total deferred outflows of resources	<u>116,379</u>	<u>-</u>	<u>116,379</u>
LIABILITIES			
Current liabilities:			
Accounts payable	43,120	7,605	50,725
Compensated absences payable	170	-	170
Notes payable - current	12,745	-	12,745
Due to other funds	2,528	-	2,528
Total current liabilities	<u>58,563</u>	<u>7,605</u>	<u>66,168</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Deposits	102,529	-	102,529
Notes payable - noncurrent	127,453	-	127,453
Other postemployment benefits	226,416	-	226,416
Net pension liability	148,226	-	148,226
Compensated absences payable	16,785	-	16,785
Total noncurrent liabilities	<u>621,409</u>	<u>-</u>	<u>621,409</u>
Total liabilities	<u>679,972</u>	<u>7,605</u>	<u>687,577</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	9,816	-	9,816
OPEB deferrals	20,113	-	20,113
Total deferred inflows of resources	<u>29,929</u>	<u>-</u>	<u>29,929</u>
NET POSITION			
Net investment in capital assets	7,585,480	-	7,585,480
Unrestricted	501,621	30,499	532,120
Total net position	<u>\$ 8,087,101</u>	<u>\$ 30,499</u>	<u>\$ 8,117,600</u>

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

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

	Water & Sewer Fund	Solid Waste Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 904,098	\$ 172,135	\$ 1,076,233
Water & Sewer taps	12,460	-	12,460
Other operating revenues	-	2,811	2,811
Total operating revenues	<u>916,558</u>	<u>174,946</u>	<u>1,091,504</u>
OPERATING EXPENSES:			
Administration	178,158	34,706	212,864
Operations	502,476	109,741	612,217
Depreciation	356,382	-	356,382
Total operating expenses	<u>1,037,016</u>	<u>144,447</u>	<u>1,181,463</u>
Operating income	<u>(120,458)</u>	<u>30,499</u>	<u>(89,959)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	305	-	305
Interest on bond debt	(6,915)	-	(6,915)
Recovery Fund - Covid	8,550	-	8,550
Miscellaneous	10,033	-	10,033
Total nonoperating revenues (expenses)	<u>11,973</u>	<u>-</u>	<u>11,973</u>
Income before contributions and transfers	<u>(108,485)</u>	<u>30,499</u>	<u>(77,986)</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(108,485)</u>	<u>30,499</u>	<u>(77,986)</u>
Beginning net position	<u>8,195,586</u>	<u>-</u>	<u>8,195,586</u>
Total net position, ending	<u><u>\$ 8,087,101</u></u>	<u><u>\$ 30,499</u></u>	<u><u>\$ 8,117,600</u></u>

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

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

	Water & Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 899,504	\$ 174,946	\$ 1,074,450
Cash paid for goods and services	(185,566)	(104,937)	(290,503)
Cash paid to employees for services	(396,564)	(34,706)	(431,270)
Other operating revenues	-	2,801	2,801
Net cash provided by operating activities	<u>317,374</u>	<u>38,104</u>	<u>355,478</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Net change in due to/from	-	-	-
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on bond maturities and note agreements	(1,441,031)	-	(1,441,031)
Interest and fees paid on bond maturities and notes agreements	(6,915)	-	(6,915)
Miscellaneous and COVID Recovery funds	18,583	-	18,583
Acquisition and construction of capital assets	-	-	-
Net cash used by capital and related financing activities	<u>(1,429,363)</u>	<u>-</u>	<u>(1,429,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	<u>305</u>	<u>-</u>	<u>305</u>
Net increase in cash and cash equivalents	(1,111,684)	38,104	(1,073,580)
Cash and cash equivalents:			
Beginning of year, July 1	1,994,884	-	1,994,884
End of year, June 30	<u>\$ 883,200</u>	<u>\$ 38,104</u>	<u>\$ 921,304</u>

(cont.)

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

Reconciliation of operating income to
net cash provided by operating
activities:

Operating income	\$ <u>(120,458)</u>	\$ <u>30,499</u>	\$ <u>(89,959)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	356,382	-	356,382
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	8,642	-	8,642
(Increase) decrease in deferred outflows of resources for pensions and OPEB	(34,501)	-	(34,501)
Increase (decrease) in accounts payable and accrued liabilities	24,741	7,605	32,346
Increase (decrease) in net pension liability	15,176	-	15,176
Increase (decrease) in deferred inflows of resources for pensions and OPEB	3,417	-	3,417
Increase (decrease) in compensated absences	4,894	-	4,894
Increase (decrease) in OPEB liability	50,669	-	50,669
Increase(decrease) in deposits	8,412	-	8,412
Total adjustments	<u>437,832</u>	<u>7,605</u>	<u>445,437</u>
Net cash provided by operating activities	\$ <u><u>317,374</u></u>	\$ <u><u>38,104</u></u>	\$ <u><u>355,478</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Rose Hill, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

Solid Waste Fund. This fund is used to account for the Town's solid waste operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Any revisions that alter expenditures of any fund must be approved by the governing board. During the year several amendments to the original budget were necessary.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are 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. Cash held in the State Recovery Grant is classified as restricted assets for the General fund because its use is restricted to the purpose for which the revenues were received and for customer deposits.

Town of Rose Hill Restricted Cash

Governmental Activities

General Fund

Streets	\$	-
State Recovery Grant		-
Total Governmental Activities	\$	<u>-</u>

Business-type Activities

Water and Sewer Fund

Customer deposits		102,529
Total Business-type Activities	\$	<u>102,529</u>

Total Restricted Cash	\$	<u><u>102,529</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

No allowances for doubtful accounts are maintained due to the immateriality of the historically uncollectible accounts.

6. Inventory and Prepaid Items

Inventories are not maintained. Supplies are purchased according to the current needs and only a negligible amount maintained on hand.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Capitalization cost for the Town's assets is \$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 contracted capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciable using the straight-line method at the following rates:

<u>Asset Class</u>	<u>Rate</u>
Infrastructure	2%
Buildings	5%
Vehicles	30%
Furniture and equipment	10%

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None reported.

2. Contractual Violations

None reported.

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

None reported.

C. Excess of Expenditures over Appropriations

None reported.

III. Detail Notes on All FundsA. Assets1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$195,909 and a bank balance of \$234,549. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,410.

2. Investments

At June 30, 2021, the Town of Rose Hill had \$1,711,126 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 81,475	\$ -	\$ -	\$ 81,475
Construction in progress	-	-	-	-
Total capital assets not being depreciated	81,475	-	-	81,475
Capital assets being depreciated:				
Buildings	263,145	-	-	263,145
Improvements	282,195	-	-	282,195
Equipment	527,599	30,424	-	558,023
Vehicles	1,539,571	115,859	51,447	1,603,983
Infrastructure	1,109,027	-	-	1,109,027
Total capital assets being depreciated	3,721,537	146,283	51,447	3,816,373
Less accumulated depreciation for:				
Buildings	262,567	193	-	262,760
Improvements	262,269	3,868	-	266,137
Equipment	503,973	9,830	-	513,803
Vehicles	1,018,635	120,552	51,447	1,087,740
Infrastructure	768,119	8,742	-	776,861
Total accumulated depreciation	2,815,563	\$ 143,185	\$ 51,447	2,907,301
Total capital assets being depreciated, net	905,974			909,072
Governmental activity capital assets, net	\$ 987,449			\$ 990,547

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

General Government	\$ 8,305
Public Safety	105,957
Transportation	13,030
Environmental protection	8,018
Cultural & Recreational	7,875
Total Depreciation Expense	<u>\$ 143,185</u>

Business-Type activities:

Water and Sewer Fund:

Capital assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 73,285	\$ -	\$ -	\$ 73,285
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>73,285</u>	<u>-</u>	<u>-</u>	<u>73,285</u>

Capital assets being depreciated:

Substations, Lines, Related Equipment	11,088,548	-	-	11,088,548
Furniture & Equipment, Maintenance	499,044	-	-	499,044
Vehicles	204,849	-	-	204,849
Total capital assets being depreciated	<u>11,792,441</u>	<u>-</u>	<u>-</u>	<u>11,792,441</u>

Less accumulated depreciation for:

Substations, Lines, Related Equipment	3,427,788	277,214	-	3,705,002
Furniture & Equipment, Maintenance	246,828	49,904	-	296,731
Vehicles	109,051	29,264	-	138,315
Total accumulated depreciation	<u>3,783,667</u>	<u>\$ 356,382</u>	<u>\$ -</u>	<u>4,140,048</u>

Total capital assets being depreciated, net	<u>8,008,774</u>			<u>7,652,393</u>
Water Fund capital assets, net	<u>\$ 8,082,061</u>			<u>\$ 7,725,678</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Rose Hill is a participating employer in the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Rose Hill's contractually required contribution rate for the year ended June 30, 2021, was 10.25% for general employees and 10.84% for law enforcement employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$65,174 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$370,564 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.01037%, which was an decrease of 0.00181% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$129,167. 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	\$ 46,796	\$ -
Change of assumptions	27,577	-
Net difference between projected and actual earnings on pension plan investments	52,147	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	11,486	24,541
Town's contributions subsequent to the measurement date	65,174	-
Total	<u>\$ 203,180</u>	<u>\$ 24,541</u>

\$65,174 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	\$ 36,243
2023	41,067
2024	20,722
2025	15,433
2026	-
Thereafter	-
	<u>\$ 113,465</u>

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

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of position 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, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

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

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

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$751,835	\$370,564	\$53,702

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Rose Hill administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has made no contributions to this plan. A separate report was not issued for the plan.

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

Retirees receiving benefits	\$	1
Terminated plan members entitled to but not yet receiving benefits		-
Active plan members		6
Total		<u>7</u>

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93%

4. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$9,721 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$244,507. 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, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$40,399.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,791	\$ 3,507
Changes of assumptions and other inputs	51,549	4,018
Town benefit payments and plan administrative expense made subsequent to the measurement date	9,721	-
Total	<u>\$ 101,061</u>	<u>\$ 7,525</u>

\$9,721 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	25,429
2023	16,212
2024	13,610
2025	12,812
2026	10,464
Thereafter	5,288
	<u>\$ 83,815</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%)
Town's proportionate share of the net pension liability (asset)	\$ 272,022	\$ 244,507	\$ 219,817

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

	2021
Beginning balance	\$ 191,010
Service Cost	8,962
Interest on the total pension liability	6,068
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,118)
Changes of assumptions or other inputs	52,306
Benefit payments	(9,721)
Other changes	-
Ending balance of the total pension liability	<u>\$ 244,507</u>

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	129,167	-	129,167
Pension Liability	370,564	244,507	615,071
Proportionate share of the net pension liability	0.01037%	N/A	

Deferred of Outflows of Resources

Differences between expected and actual experience	46,796	39,791	86,587
Changes of assumptions	27,577	51,549	79,126
Net difference between projected and actual earning on plan investments	52,147	-	52,147
Changes in proportion and differences between contributions and proportionate share of contributions	11,486	-	11,486
Benefit payments and administrative costs paid subsequent to the measurement date	65,174	9,721	74,895

Deferred of Inflows of Resources

	LGERS	LEOSSA	Total
Differences between expected and actual experience	-	3,507	3,507
Changes of assumptions	-	4,018	4,018
Net differences between projected and actual earnings on plan investments		-	-
Changes in proportion and differences between contributions and proportionate share of contributions	24,541	-	24,541

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributed to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers and other employees may also make voluntary contributions to the plan.

The Town made contributions of \$25,652 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The Town pays a percentage of the cost of coverage based upon the number of years of service for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By Town resolution, the Town pays a percentage of the cost of the coverage based upon the number of creditable service years the qualified retirees have under the Town resolution. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2021, the Town's total payments were \$7,530.

Total OPEB Liability

The Town's total OPEB liability of \$566,039 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 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 cost trend rates	Medical - 5.00 percent Pre-Medicare - 7.00 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.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	
Change for the year	439,367
Service cost	11,254
Interest	15,621
Changes of benefit terms	-
Differences between expected and actual experience	432
Changes in assumptions or other inputs	108,034
Benefit payments	(8,669)
Net changes	<u>126,672</u>
Balance at June 30, 2021	<u><u>566,039</u></u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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:

	<u>1% Decrease</u> <u>(1.21%)</u>	<u>Discount Rate</u> <u>(2.21%)</u>	<u>1% Increase</u> <u>(3.21%)</u>
Total OPEB liability	\$ 675,701	\$ 566,039	\$ 479,592

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:

	<u>1% Decrease</u> <u>(1.21%)</u>	<u>Discount Rate</u> <u>(2.21%)</u>	<u>1% Increase</u> <u>(3.21%)</u>
Total OPEB liability	\$ 468,706	\$ 566,039	\$ 691,973

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$8,669. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 350	\$ 15,426
Changes of assumptions or other inputs	87,417	34,857
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 87,767</u>	<u>\$ 50,283</u>

\$0.00 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year ended June 30:

2022	4,702
2023	4,702
2024	6,706
2025	16,403
2026	4,971
Thereafter	-
	<u>37,484</u>

2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 74,895
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	86,937
Changes of assumptions	166,543
Net difference between projected and actual earnings on pension plan investments	52,147
Changes in proportion and differences between Town's contributions and proportionate share of contributions	11,486
Total	<u>\$ 392,008</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension deferrals	\$ 32,066	\$ -
Taxes Receivable, less penalties (General Fund)	-	33,426
	<u>\$ 32,066</u>	<u>\$ 33,426</u>

4. 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry any flood insurance. The Town is not located in a flood plain.

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

5. Claims, Judgments and Contingent Liabilities

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

6. Long Term Obligations

a. Installment Purchases

The Town has entered into an installment purchase agreement in order to facilitate the purchase of assets and to finance water projects.

NC Clean Water Revolving Loan Direct Borrowing and Grant Program granted the Town a loan of \$541,569 on March 10, 2010. The loan includes principal forgiveness of \$270,784. The first payment was due May 1, 2013 with 20 installments at zero percent interest. Balance at June 30, 2021 is \$140,198.

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	\$ 12,745	-
2023	12,745	-
2024	12,745	-
2025	12,745	-
2026	12,745	-
2027-2031	63,725	-
2032-2036	12,748	-
Total	<u>\$ 140,198</u>	<u>-</u>

b. Changes in General Long-Term Liabilities

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

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21	Current Portion
Governmental activities:					
Direct Placement Installment purchases	\$ 274,015	\$ -	\$ (274,015)	\$ -	\$ -
Other Postemployment Benefits	263,620	76,003	-	339,623	-
Net pension liability (LGRS)	199,576	22,762	-	222,338	-
Total pension liability (LEOSSA)	191,010	53,497	-	244,507	-
Compensated absences	11,291	13,618	(2,722)	22,187	-
Governmental activity long-term liabilities	<u>\$ 939,512</u>	<u>\$ 165,880</u>	<u>\$ (276,737)</u>	<u>\$ 828,655</u>	<u>\$ -</u>
Business-type activities:					
DENR Loan Direct Borrowing	\$ 152,944	\$ -	\$ (12,745)	\$ 140,198	\$ 12,745
Bonds	1,428,286	-	(1,428,286)	-	-
Other Postemployment Benefits	175,747	50,669	-	226,416	-
Net pension liability (LGRS)	133,050	15,176	-	148,226	-
Compensated absences	12,061	4,894	-	16,955	170
Business-type activity long-term liabilities	<u>\$ 1,902,088</u>	<u>\$ 70,739</u>	<u>\$ (1,441,031)</u>	<u>\$ 531,795</u>	<u>\$ 12,915</u>

At June 30, 2020, the Town of Rose Hill had a legal debt margin of \$5,931,776.

C. Interfund Balances and Activity

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water/Sewer Fund	\$ 2,528

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 990,547	7,725,678
Less: long term debt	-	(140,198)
Net investment in capital asset	<u>\$ 990,547</u>	<u>\$ 7,585,480</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 1,083,320
Less:	
Stabilization by State Statute	131,128
Streets - Powell Bill	-
Remaining Fund Balance	952,192

IV. 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions – Local Government
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of
Covered Payroll - Law Enforcement Officers' Special
Separation Allowance

Schedule of Changes in the Total OPEB Liability and
Related Ratios

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01037%	0.01218%	0.0111%	0.0104%	0.0063%	0.0074%	0.0086%	0.0076%
Town's proportion of the net pension liability (asset) (\$)	\$ 370,564	\$ 332,626	\$ 262,144	\$ 158,578	\$ 132,646	\$ 33,390	(51,013)	91,609
Town's covered-employee payroll	\$ 622,220	\$ 722,099	\$ 673,793	\$ 645,131	\$ 560,070	\$ 620,062	571,573	618,491
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.56%	46.06%	38.91%	24.58%	23.68%	5.38%	-8.93%	14.81%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Rose Hill, North Carolina
Town of Rose Hill's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 65,174	\$ 64,488	\$ 58,245	\$ 52,624	\$ 49,012	\$ 38,756	\$ 45,158	\$ 44,842
Contributions in relation to the contractually required contribution	65,174	64,488	58,245	52,624	49,012	38,756	45,158	44,842
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 699,933	753,935	\$ 722,099	\$ 673,793	\$ 645,131	\$ 560,070	\$ 620,062	\$ 571,573
Contributions as a percentage of covered-employee payroll	9.31%	8.55%	8.07%	7.81%	7.60%	6.92%	7.28%	7.85%

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

	2021	2020	2019	2018	2017
Beginning balance	\$ 191,010	\$ 156,965	\$ 140,700	\$ 93,229	\$ 101,427
Service Cost	8,962	8,725	7,034	4,826	2,067
Interest on the total pension liability	6,068	5,543	4,298	3,170	3,400
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,118)	21,817	21,630	53,804	-
Changes of assumptions or other inputs	52,306	7,321	(7,336)	7,893	(1,284)
Benefit payments	(9,721)	(9,361)	(9,361)	(22,222)	(12,381)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 244,507</u>	<u>\$ 191,010</u>	<u>\$ 156,965</u>	<u>\$ 140,700</u>	<u>\$ 93,229</u>

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

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

	2021		2020		2019		2018		2017
Total pension liability	\$ 244,507	\$	191,010	\$	156,965	\$	140,700	\$	93,229
Covered payroll	248,786		266,755		211,045		215,015		128,925
Total pension liability as a percentage of covered payroll	98.28%		71.61%		74.38%		65.44%		72.31%

Notes to the schedules:

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

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

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	11,254	21,847	23,238	26,417
Interest	15,621	17,041	16,219	14,681
Changes of benefit items	-	-	-	-
Differences between expected and actual experience	432	(18,893)	(4,981)	(2,454)
Changes of assumptions	108,034	(5,184)	(25,213)	(43,856)
Benefit payments	(8,669)	(26,789)	(26,789)	(27,122)
Net change in total OPEB liability	126,672	(11,978)	(17,526)	(32,334)
Total OPEB liability - beginning	439,367	451,345	468,871	501,205
Total OPEB liability - ending	566,039	439,367	451,345	468,871
 Covered payroll	 699,933	 753,935	 722,099	 673,793
Total OPEB liability as a percentage of covered payroll	80.87%	58.28%	62.50%	69.59%

Notes to Schedule

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

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

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 550,813	\$
Penalties and interest		6,238	
Total	496,100	557,051	60,951
Unrestricted intergovernmental:			
Utility sales tax		64,047	
Local option sales taxes		517,487	
Telecommunications sales tax		8,055	
Video franchise fee		5,315	
Beer and wine tax		6,918	
Solid waste disposal tax		1,234	
Piped natural gas sales tax		15	
Refunds		3,476	
Total	489,680	606,547	116,867
Restricted intergovernmental:			
State Recovery Grant		-	
Recovery Fund, Covid-19		59,243	
Powell Bill allocation		49,646	
Total	257,178	108,889	(148,289)
Permits and fees:			
Permits		2,224	
Rents and concessions		9,036	
Total	20,438	11,260	(9,178)
Sales and services:			
Police fines and forfeitures		-	
Sales on surplus assets		4,321	
Contributions and refunds		1,537	
Miscellaneous		28,472	
Total	11,200	34,330	23,130
Investment earnings	12,540	206	(12,334)
Miscellaneous	-	-	-
Total Revenues	1,287,136	1,318,283	31,147

(cont.)

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

Expenditures:

General government:

Governing body:

Salaries & benefits		1,292	
Operating expense		66	
Contribution - Duplin EMS		-	
Capital Outlay		-	
Total	<u>2,000</u>	<u>1,358</u>	<u>642</u>

Administration:

Salaries & benefits		124,724	
Contracted services		21,871	
Operating expense		95,353	
Capital Outlay		-	
Total	<u>252,060</u>	<u>241,948</u>	<u>10,112</u>

Public Buildings:

Operating expense		6,996	
Capital Outlay		-	
Total	<u>15,300</u>	<u>6,996</u>	<u>8,304</u>

Total general government

<u>269,360</u>	<u>250,302</u>	<u>19,058</u>
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Public safety

Police:

Salaries & benefits		363,247	
Operating expense		114,693	
Capital Outlay		74,186	
Total	<u>613,797</u>	<u>552,126</u>	<u>61,671</u>

Fire:

Salaries & benefits		-	
Operating expense		30,688	
Capital Outlay		-	
Total	<u>55,600</u>	<u>30,688</u>	<u>24,912</u>

Total public safety

<u>669,397</u>	<u>582,814</u>	<u>86,583</u>
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Transportation

Powell Bill:

Salaries & benefits		40,999	
Operating expense		33,141	
Capital outlay		-	
Total	<u>79,288</u>	<u>74,140</u>	<u>5,148</u>

(cont.)

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Non Powell Bill:			
Salaries & benefits		35,121	
Operating expense		124,126	
Capital Outlay		-	
Total	178,756	159,247	19,509
Total transportation	258,044	233,387	24,657
Environmental protection:			
Operating expense		47,903	
Capital Outlay		72,097	
Total environmental	120,000	120,000	-
Cultural & Recreation			
Parks and recreation:			
Salaries & benefits		31,122	
Operating expense		56,473	
Capital Outlay		-	
Total	100,585	87,595	12,990
Library:			
Operating expense		14,436	
Capital Outlay		-	
Total	15,250	14,436	814
Community development:			
Operating expense		13,023	
Capital Outlay		-	
Total	14,000	13,023	977
Total cultural and recreation	129,835	115,054	14,781
Debt service:			
Principle retirement		274,015	
Interest and fees		6,553	
Total	280,568	280,568	-
Total Expenditures	1,727,204	1,582,125	145,079
Revenues over (under) expenditures	(440,068)	(263,842)	176,226

(cont.)

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Fund Balance Appropriated	440,068	-	(440,068)
Total	440,068	-	(440,068)
Net change in fund balance financing uses	\$ -	(263,842)	\$ (263,842)
Fund balances:			
Beginning of year, July 1		1,347,162	
End of year, June 30		\$ 1,083,320	

Town of Rose Hill, North Carolina
Special Revenue Fund - Reserve Grant, Feasibility Study
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Restricted Revenue	\$ 50,000	\$ -	\$ (50,000)
Total	50,000	-	(50,000)
Expenditures:			
Current:			
Feasibility study		7,091	
Total expenditures	50,000	7,091	(42,909)
Revenues over expenditures	-	(7,091)	(7,091)
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfer In (Out)	-	-	-
Net change in fund balance	\$ -	(7,091)	\$ (7,091)
Fund balances:			
Beginning of year, July 1		-	
Ending of year, June 30		\$ (7,091)	

PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Charges for services:			
Residential & Commercial - Water	\$	\$ 482,190	\$
Residential & Commercial - Sewer		421,909	
Water taps & connection fees		12,460	
Total Operating Revenues	<u>824,450</u>	<u>916,559</u>	<u>92,109</u>
Nonoperating revenues:			
Miscellaneous	9,000	10,033	
Interest earnings	<u>40,000</u>	<u>305</u>	
Total Non-Operating Revenues	<u>49,000</u>	<u>10,338</u>	<u>(38,662)</u>
Total Revenues	<u>873,450</u>	<u>926,897</u>	<u>53,447</u>
Expenditures:			
Water Administration:			
Salaries and benefits		158,580	
Professional fees		6,100	
Maintenance and repairs		261	
Other		12,986	
Departmental supplies and materials		231	
Capital Outlay			
Total water administration	<u>186,272</u>	<u>178,158</u>	<u>8,114</u>
Water & Sewer Operations:			
Salaries and benefits		237,984	
Utilities		60,258	
Insurance		20,510	
Contracted services		58,879	
Maintenance and repairs		55,482	
Other		29,709	
Total	<u>640,906</u>	<u>462,822</u>	<u>178,084</u>

(cont.)

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

	2021		Variance
	Budget	Actual	Positive (Negative)
Debt service:			
Interest and fees		6,915	
Principal retirement		1,441,031	
Total debt service	1,461,231	1,447,946	13,285
Total expenditures	2,288,409	2,088,926	199,483
Other financing (uses):			
Recovery Covid fund		8,550	
Total other financing (uses)	8,550	8,550	-
Appropriated fund balance	1,406,409	-	(1,406,409)
Revenues and other sources over expenditures and other uses	\$ -	\$ (1,153,479)	\$ (1,153,479)

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

Revenues over expenditures	\$ (1,153,479)
Reconciling items:	
Principal retirement	1,441,031
Capital outlay	-
Increase (decrease) in deferred outflows of resources for pensions	34,501
Increase (decrease) in net pension liability	(15,176)
(Increase) decrease in deferred inflows of resources for pensions	(3,417)
Change in compensated absences	(4,894)
Decrease (increase) in OPEB liability	(50,669)
Depreciation	(356,382)
Total reconciling items	1,044,994
Change in Net Position	\$ (108,485)

Town of Rose Hill, North Carolina
Solid Waste Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Collection fees	\$ 153,492	\$ 172,135	18,643
Other operating revenues	-	2,811	2,811
Total Operating Revenues	<u>153,492</u>	<u>174,946</u>	<u>21,454</u>
Nonoperating revenues:			
Miscellaneous	-	-	
Interest earnings	-	-	
Total Non-Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>153,492</u>	<u>174,946</u>	<u>21,454</u>
Expenditures:			
Salaries and benefits		34,706	
Operating expenditures		109,741	
Total Operating Expenditures	<u>153,492</u>	<u>144,447</u>	<u>9,045</u>
Other Financing Sources and (Uses):			
Transfer in (out)		-	
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over (Under) Expenses and Other Uses	-	30,499	12,409
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, Other Sources and Appropriated			
Fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 30,499</u>	<u>\$ 30,499</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Rose Hill, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 556,104	\$ (540,155)	\$ 15,949
2019-2020	14,181		(7,039)	7,142
2018-2019	5,492	-	(2,180)	3,312
2017-2018	2,991	-	(1,050)	1,941
2016-2017	2,379	-	(712)	1,667
2015-2016	2,553	-	(867)	1,686
2014-2015	650	-	-	650
2013-2014	440	-	-	440
2012-2013	639	-	-	639
2011-2012	1,095	-	(1,095)	-
	<u>\$ 30,420</u>	<u>\$ 556,104</u>	<u>\$ (553,098)</u>	<u>33,426</u>

Ad valorem taxes receivable - net \$ 33,426

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 557,051
Reconciling items:	
Discounts, Releases, Refunds	2,285
Interest collected	<u>(6,238)</u>
Total collections and credits	<u>\$ 553,098</u>

Town of Rose Hill, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

				Total Levy	
	Property Valuation	Town - Wide Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 74,147,200	0.750	\$ 556,104	\$ 455,706	\$ 100,398
Penalties	-		-	-	-
Total	<u>74,147,200</u>		<u>556,104</u>	<u>455,706</u>	<u>100,398</u>
Discoveries:					
Current year taxes	-	0.750	-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	-	0.750	-	-	-
Total property valuation	<u>\$ 74,147,200</u>				
Net levy			556,104	455,706	100,398
Uncollected taxes at June 30, 2020			<u>15,949</u>	<u>15,949</u>	<u>-</u>
Current year's taxes collected			<u>\$ 540,155</u>	<u>\$ 439,757</u>	<u>\$ 100,398</u>
Current levy collection percentage			<u>97.13%</u>	<u>96.50%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Board
Rose Hill, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Town of Rose Hill, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprises Town of Rose Hill's basic financial statements, and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 have not been identified.

Compliance and Other Matters

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

Town of Rose Hill's Response to Findings

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

Purpose of this Report

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

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

Wilmington, North Carolina

October 28, 2021

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

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes Xno
- Significant Deficiency(s) identified? yes_ Xno

Noncompliance material to financial
statements noted? yes Xno

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

Section II – Financial Statement Findings

NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

None.

ROSE HILL
Incorporated 1875



Town of Rose Hill, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

NONCOMPLIANCE/SIGNIFICANT DEFICIENCIES

None.