

Town of Rowland, North Carolina

Financial Statements

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

Town of Rowland, North Carolina

Financial Statements

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

Board of Town Commissioners

Michelle Shooter, Mayor

Betty Boyd

Paul Hunt

Jean Love, Mayor Pro Tem

*** * * * ***

David Townsend, Town Clerk

Ted Filli, Finance Officer

Town of Rowland, North Carolina
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June 30, 2021

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rowland, North Carolina as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows, 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 Changes in the Total OPEB Liability and Related Ratios, Schedule of Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

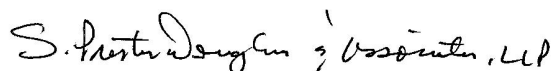
Supplementary and other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 on our consideration of the Town of Rowland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of this 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 Rowland's internal control over financial reporting and compliance.



Lumberton, North Carolina
February 18, 2022

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

Management's Discussion and Analysis

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

Financial Highlights

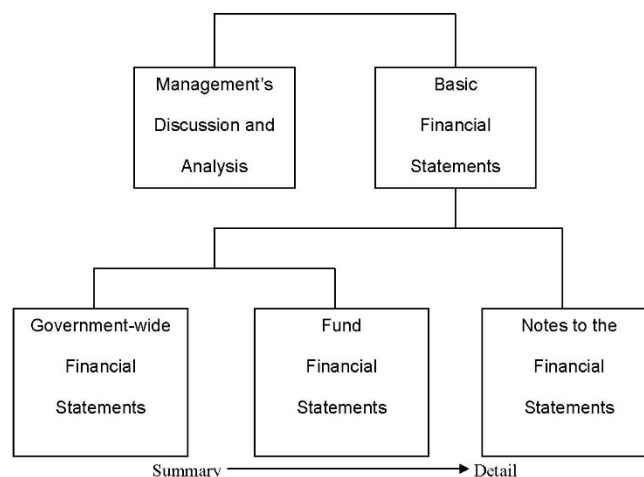
- The total assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,099,602.
- The government's total net position decreased by \$103,698 in 2021.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$481,587. Approximately 78.43% of this total amount, or \$377,695, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$377,695, or approximately 35.29% of total General Fund expenditures.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Financial Statements

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

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

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

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

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

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Rowland. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members, and because the Board is required to distribute a portion of its profits to the Town.

The government-wide financial statements can be found on pages 8 and 9 of this report.

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

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

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

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

Basic Financial Statements (continued)

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

Proprietary Funds. The Town of Rowland maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 18 of this report.

Other Information. In addition to the basic financial statement and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

Government-Wide Financial Analysis

The Town of Rowland's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|----------------------------|------------|-----------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 664,503 | \$ 618,197 | \$ 202,592 | \$ 192,150 | \$ 867,095 | \$ 810,347 |
| Noncurrent assets | 259,828 | 283,346 | 3,736,228 | 3,876,246 | 3,996,056 | 4,159,592 |
| Total assets | 924,331 | 901,543 | 3,938,820 | 4,068,396 | 4,863,151 | 4,969,939 |
| Deferred Outflows of Resources | 240,411 | 82,069 | 41,759 | 17,246 | 282,170 | 99,315 |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 52,069 | 50,789 | 102,341 | 96,712 | 154,410 | 147,501 |
| Noncurrent liabilities | 1,011,718 | 816,373 | 815,328 | 809,030 | 1,827,046 | 1,625,403 |
| Total liabilities | 1,063,787 | 867,162 | 917,669 | 905,742 | 1,981,456 | 1,772,904 |
| Deferred Inflows of Resources | 51,245 | 75,228 | 13,018 | 17,822 | 64,263 | 93,050 |
| <u>Net position</u> | | | | | | |
| Net investment in capital assets | 174,968 | 184,603 | 3,096,595 | 3,222,546 | 3,271,563 | 3,407,149 |
| Restricted | 103,892 | 97,476 | - | - | 103,892 | 97,476 |
| Unrestricted | (229,150) | (240,857) | (46,703) | (60,468) | (275,853) | (301,325) |
| Total net position | \$ 49,710 | \$ 41,222 | \$ 3,049,892 | \$ 3,162,078 | \$ 3,099,602 | \$ 3,203,300 |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$3,099,602 at the close of the current fiscal year.

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

Governmental activities increased the Town's net position by \$8,488 during the fiscal year.

Business-type activities decreased the Town's net position by \$112,186 during the fiscal year.

The Town of Rowland's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|----------------------------|------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Ad Valorem taxes | \$ 388,466 | \$ 376,261 | \$ - | \$ - | \$ 388,466 | \$ 376,261 |
| Other taxes/licenses | 442,726 | 344,616 | - | - | 442,726 | 344,616 |
| Unrestricted | | | | | | |
| intergovernmental | 14,184 | 18,612 | - | - | 14,184 | 18,612 |
| Restricted | | | | | | |
| intergovernmental | 76,383 | 59,506 | - | 99,950 | 76,383 | 159,456 |
| Other general | | | | | | |
| revenues | 22,558 | 6,271 | 101,280 | 61,703 | 123,838 | 67,974 |
| Charges for services | 160,110 | 158,636 | 415,046 | 397,551 | 575,156 | 556,187 |
| Total revenues | <u>1,104,427</u> | <u>963,902</u> | <u>516,326</u> | <u>559,204</u> | <u>1,620,753</u> | <u>1,523,106</u> |
| Expenses: | | | | | | |
| General government | 249,590 | 210,070 | - | - | 249,590 | 210,070 |
| Public safety | 590,446 | 503,267 | - | - | 590,446 | 503,267 |
| Transportation | 118,672 | 135,035 | - | - | 118,672 | 135,035 |
| Environmental protection | 132,816 | 119,093 | - | - | 132,816 | 119,093 |
| Interest | 4,415 | 4,758 | - | - | 4,415 | 4,758 |
| Water and sewer | - | - | 628,512 | 569,589 | 628,512 | 569,589 |
| Total expenses | <u>1,095,939</u> | <u>972,223</u> | <u>628,512</u> | <u>569,589</u> | <u>1,724,451</u> | <u>1,541,812</u> |
| Change in net position | 8,488 | (8,321) | (112,186) | (10,385) | (103,698) | (18,706) |
| Net position – | | | | | | |
| beginning | <u>41,222</u> | <u>49,543</u> | <u>3,162,078</u> | <u>3,172,463</u> | <u>3,203,300</u> | <u>3,222,006</u> |
| Net position – | | | | | | |
| ending | <u>\$ 49,710</u> | <u>\$ 41,222</u> | <u>\$ 3,049,892</u> | <u>\$ 3,162,078</u> | <u>\$ 3,099,602</u> | <u>\$ 3,203,300</u> |

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$481,587. Of this total amount, \$377,695 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed for a variety of other restricted purposes. As a measure of the governmental funds' liquidity, it may be useful to compare both reserved fund balance and total fund balance to total expenditures. Unassigned fund balance represents 35.29% of total governmental funds expenditures, while total fund balance represents 45.00% of total governmental fund expenditures.

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

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 Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a negative \$(46,703). The total change in net position for the Water and Sewer Fund was a decrease of \$112,186.

Capital Assets and Debt Administration

Capital Assets. The Town of Rowland's investment in capital assets for its governmental activities and the business-type activities (respectively) as of June 30, 2021, totaled \$259,828 and \$3,736,228 (both net of accumulated depreciation).

Additional information on the Town's capital assets can be found in the notes starting on 25 of this report.

Long-term Debt. As of June 30, 2021, the Town of Rowland had total installment & bonded debt outstanding of \$698,373.

Economic Factors and Next Year's Budgets

- The unemployment rate for the Town and surrounding area in Robeson County was 7.3 % at June 30, 2021, which was an increase from a rate of 2.2% a year ago. This comparison is higher than the State's rate of 4.6% and the national rate of 5.9%.
- The Town plans to continue investing in its plant and equipment with grant assistance to more efficiently deliver Town services and upgrade its infrastructure.

Request for Information

This report is designed to provide a general overview of the Town of Rowland's finances for those with an interest in this area. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Rowland, Post Office Box 127, Rowland NC 28383.

Basic Financial Statements

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

| | Primary Government | | | Component Unit |
|----------------------------------------------|--------------------|---------------------|---------------------|-------------------|
| | Business | | | |
| | Governmental | Type | Total | ABC |
| | Activities | Activities | | Board |
| <u>ASSETS</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 452,495 | \$ 85,837 | \$ 538,332 | \$ 63,118 |
| Taxes receivable - net | 136,030 | - | 136,030 | - |
| Accounts receivable - net | 49,540 | 84,091 | 133,631 | - |
| Internal balances | (27,914) | 27,914 | - | - |
| Due from other governments | 54,352 | - | 54,352 | - |
| Inventories | - | 4,750 | 4,750 | 60,415 |
| Prepaid items | - | - | - | 126 |
| Total current assets | 664,503 | 202,592 | 867,095 | 123,659 |
| Noncurrent assets: | | | | |
| Capital assets (Note 3): | | | | |
| Land, non-depreciable | 21,305 | 10,300 | 31,605 | 5,000 |
| Other capital assets - net of depreciation | 238,523 | 3,725,928 | 3,964,451 | 16,760 |
| Total capital assets | 259,828 | 3,736,228 | 3,996,056 | 21,760 |
| Total assets | 924,331 | 3,938,820 | 4,863,151 | 145,419 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| OPEB deferrals | 87,377 | 20,496 | 107,873 | - |
| Pension deferrals | 153,034 | 21,263 | 174,297 | - |
| Total deferred outflows of resources | 240,411 | 41,759 | 282,170 | - |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | 46,886 | 40,273 | 87,159 | 25,646 |
| Current portion of long-term debt | 5,183 | 27,600 | 32,783 | - |
| Customer deposits | - | 34,468 | 34,468 | - |
| Total current liabilities | 52,069 | 102,341 | 154,410 | 25,646 |
| Long-term liabilities: | | | | |
| Net pension liability | 128,363 | 31,369 | 159,732 | - |
| Total pension liability | 172,582 | - | 172,582 | - |
| Total OPEB liability | 631,096 | 171,959 | 803,055 | - |
| Non-current portion of long-term debt | 79,677 | 612,000 | 691,677 | - |
| Total liabilities | 1,063,787 | 917,669 | 1,981,456 | 25,646 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Pension deferrals | 14,594 | 1,525 | 16,119 | - |
| OPEB deferrals | 36,651 | 11,493 | 48,144 | - |
| Total deferred inflows of resources | 51,245 | 13,018 | 64,263 | - |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 174,968 | 3,096,595 | 3,271,563 | 21,760 |
| Restricted for: | | | | |
| Stabilization by State Statute | 103,892 | - | 103,892 | - |
| Other | - | - | - | 12,622 |
| Unrestricted | (229,150) | (46,703) | (275,853) | 85,391 |
| Total net position | \$ 49,710 | \$ 3,049,892 | \$ 3,099,602 | \$ 119,773 |

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

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

| Functions/Programs | Program Revenues | | | | Net Revenue (Expense) and Changes in Net Position | | | |
|-----------------------------------------|-------------------|----------------------|----------------------------------|------------------------------------|---------------------------------------------------|--------------------------|---------------------|-----------------------------|
| | Expenses | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions | Primary Government | | | Component Unit ABC Board |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 249,590 | \$ 573 | \$ - | \$ 39,972 | \$ (209,045) | \$ - | \$ (209,045) | \$ - |
| Public safety | 590,446 | - | - | - | (590,446) | - | (590,446) | - |
| Transportation | 118,672 | - | - | 36,411 | (82,261) | - | (82,261) | - |
| Environmental protection | 132,816 | 158,812 | - | - | 25,996 | - | 25,996 | - |
| Cultural and recreational | - | 725 | - | - | 725 | - | 725 | - |
| Interest on long-term debt | 4,415 | - | - | - | (4,415) | - | (4,415) | - |
| Total governmental activities | <u>1,095,939</u> | <u>160,110</u> | <u>-</u> | <u>76,383</u> | <u>(859,446)</u> | <u>-</u> | <u>(859,446)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Water and sewer | 628,512 | 415,046 | - | - | - | (213,466) | (213,466) | - |
| Total business-type activities | <u>628,512</u> | <u>415,046</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(213,466)</u> | <u>(213,466)</u> | <u>-</u> |
| Total primary government | <u>1,724,451</u> | <u>575,156</u> | <u>-</u> | <u>76,383</u> | <u>(859,446)</u> | <u>(213,466)</u> | <u>(1,072,912)</u> | <u>-</u> |
| Component unit: | | | | | | | | |
| ABC Board | 388,764 | 423,557 | - | - | - | - | - | 34,793 |
| Total component unit | <u>\$ 388,764</u> | <u>\$ 423,557</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,793</u> |
| General revenues: | | | | | | | | |
| Ad valorem taxes | | | | | 388,466 | - | 388,466 | - |
| Other taxes and licenses | | | | | 442,726 | - | 442,726 | - |
| Unrestricted intergovernmental revenues | | | | | 14,184 | - | 14,184 | - |
| Other revenue (expense) | | | | | 22,558 | 101,280 | 123,838 | - |
| Total general revenues | | | | | <u>867,934</u> | <u>101,280</u> | <u>969,214</u> | <u>-</u> |
| Change in net position | | | | | <u>8,488</u> | <u>(112,186)</u> | <u>(103,698)</u> | <u>34,793</u> |
| Net position, beginning | | | | | <u>41,222</u> | <u>3,162,078</u> | <u>3,203,300</u> | <u>84,980</u> |
| Net position - ending of year | | | | | <u>\$ 49,710</u> | <u>\$ 3,049,892</u> | <u>\$ 3,099,602</u> | <u>\$ 119,773</u> |

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

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

| | Major Fund <u>General Fund</u> | Total Governmental Funds |
|-------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 452,495 | \$ 452,495 |
| Restricted cash | - | - |
| Taxes receivable - net | 136,030 | 136,030 |
| Accounts receivable - net | 49,540 | 49,540 |
| Due from other governments | 54,352 | 54,352 |
| Total assets | <u>\$ 692,417</u> | <u>\$ 692,417</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 46,886 | \$ 46,886 |
| Due to other funds | 27,914 | 27,914 |
| Total liabilities | <u>74,800</u> | <u>74,800</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | 136,030 | 136,030 |
| Total deferred inflows of resources | <u>136,030</u> | <u>136,030</u> |
| FUND BALANCES | | |
| Restricted | | |
| Stabilization by State Statute | 103,892 | 103,892 |
| Unassigned | 377,695 | 377,695 |
| Total fund balances | <u>481,587</u> | <u>481,587</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 692,417</u> | |

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

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

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

| | | |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------|
| Total Fund Balance, Governmental Funds | | \$ 481,587 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds | | |
| Gross capital assets at historical cost | \$ 1,875,458 | |
| Accumulated depreciation | <u>(1,615,630)</u> | 259,828 |
| Deferred outflows of resources related to pensions are not reported in the funds | | 153,034 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | 87,377 |
| Earned revenues considered deferred inflows of resources in fund statements | | 136,030 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds | | |
| Gross long-term debt | | |
| Long-term debt included as net position below | (111,930) | |
| (includes the addition of long-term debt and principal payments during the year.) | 27,070 | |
| Net pension liability | (128,363) | |
| Total pension liability | (172,582) | |
| OPEB liability | <u>(631,096)</u> | (1,016,901) |
| Deferred inflows of resources related to pensions are not reported in the funds | | (14,594) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | <u>(36,651)</u> |
| Net position of governmental activities | | <u><u>\$ 49,710</u></u> |

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

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

| | Major Fund | Total Governmental |
|--------------------------------------------------------------|--------------------------|-------------------------------|
| | General Fund | Funds |
| REVENUES | | |
| Ad valorem taxes | \$ 424,391 | \$ 424,391 |
| Other taxes and licenses | 442,726 | 442,726 |
| Unrestricted intergovernmental | 14,184 | 14,184 |
| Restricted intergovernmental | 77,683 | 77,683 |
| Sales and services | 158,812 | 158,812 |
| Investment earnings | 2,387 | 2,387 |
| Miscellaneous | 20,169 | 20,169 |
| Total revenues | <u>1,140,352</u> | <u>1,140,352</u> |
| EXPENDITURES | | |
| General government | 237,951 | 237,951 |
| Public safety | 555,715 | 555,715 |
| Transportation | 112,624 | 112,624 |
| Environmental protection | 132,465 | 132,465 |
| Debt service: | | |
| Principal repayment | 27,070 | 27,070 |
| Interest | 4,415 | 4,415 |
| Total expenditures | <u>1,070,240</u> | <u>1,070,240</u> |
| Excess (deficiency) of revenues over expenditures | <u>70,112</u> | <u>70,112</u> |
| Net change in fund balance | 70,112 | 70,112 |
| Fund balance - beginning of year | <u>411,475</u> | <u>411,475</u> |
| Fund balance - end of year | <u><u>\$ 481,587</u></u> | <u><u>\$ 481,587</u></u> |

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

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

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

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Net change in fund balances - total governmental funds | \$ 70,112 |
| Governmental funds report capital outlay 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 | |
| Depreciation expense for governmental assets | (23,519) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 36,833 |
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities | 16,577 |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities | 15,410 |
| 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 | (35,925) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | |
| Principal payments on long-term debt | 27,070 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Pension expense | (66,141) |
| OPEB plan expense | (31,929) |
| | (98,070) |
| Total change in net position of governmental activities | \$ 8,488 |

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

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

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|-------------------------------------------|----------------------------|-------------------------|---------------------------|--------------------------------------------------------------------|
| Revenues: | | | | |
| Ad valorem taxes | \$ 387,100 | \$ 548,415 | \$ 424,391 | \$ (124,024) |
| Other taxes and licenses | 286,425 | 287,650 | 442,726 | 155,076 |
| Unrestricted intergovernmental | 42,980 | 41,855 | 14,184 | (27,671) |
| Restricted intergovernmental | 84,065 | 34,065 | 77,683 | 43,618 |
| Sales and services | 160,000 | 160,000 | 158,812 | (1,188) |
| Investment earnings | 500 | 500 | 2,387 | 1,887 |
| Miscellaneous | 8,350 | 8,250 | 20,169 | 11,919 |
| Total revenues | <u>969,420</u> | <u>1,080,735</u> | <u>1,140,352</u> | <u>59,617</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 210,025 | 230,199 | 237,951 | (7,752) |
| Public safety | 517,411 | 593,600 | 555,715 | 37,885 |
| Environmental protection | 122,030 | 127,900 | 132,465 | (4,565) |
| Transportation | 127,898 | 125,300 | 112,624 | 12,676 |
| Contingency | - | - | - | - |
| Debt service: | | | | |
| Principal repayment | 4,967 | 15,500 | 27,070 | (11,570) |
| Interest | 3,334 | 5,301 | 4,415 | |
| Non departmental | 13,820 | 13,000 | - | 13,000 |
| Total expenditures | <u>999,485</u> | <u>1,110,800</u> | <u>1,070,240</u> | <u>39,674</u> |
| Revenues over (under) expenditures | (30,065) | (30,065) | 70,112 | 100,177 |
| Fund balance appropriated | <u>30,065</u> | <u>30,065</u> | <u>-</u> | <u>30,065</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 70,112 | <u>\$ (70,112)</u> |
| Fund balance - beginning of year | | | <u>411,475</u> | |
| Fund balance - end of year | | | <u>\$ 481,587</u> | |

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

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

| | Enterprise Fund |
|----------------------------------------------|---------------------------------|
| | Water and Sewer Fund |
| <u>ASSETS</u> | |
| Current assets: | |
| Cash and cash equivalents | \$ 85,837 |
| Accounts receivable - net | 84,091 |
| Due from other funds | 27,914 |
| Inventories | 4,750 |
| Total current assets | 202,592 |
| Non-current assets: | |
| Land, non-depreciable | 10,300 |
| Other capital assets, net of depreciation | 3,725,928 |
| Total non-current assets | 3,736,228 |
| Total assets | 3,938,820 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| OPEB deferrals | 20,496 |
| Pension deferrals | 21,263 |
| Total deferred outflows of resources | 41,759 |
| <u>LIABILITIES</u> | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 40,273 |
| Current portion of long-term debt | 27,600 |
| Customer deposits | 34,468 |
| Total current liabilities | 102,341 |
| Non-current liabilities: | |
| Net pension liability | 31,369 |
| Total OPEB liability | 171,959 |
| Non-current portion of long-term debt | 612,000 |
| Total non-current liabilities | 815,328 |
| Total liabilities | 917,669 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Pension deferrals | 1,525 |
| OPEB deferrals | 11,493 |
| Total deferred inflows of resources | 13,018 |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 3,096,595 |
| Unrestricted | (46,703) |
| Total net position | \$ 3,049,892 |

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

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

| | Water and Sewer Fund |
|------------------------------------------------|---------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 415,046 |
| Total operating revenues | <u>415,046</u> |
| OPERATING EXPENSES | |
| Water operating expenses | 222,513 |
| Sewer operating expenses | 220,800 |
| Non-departmental operating expenses | 15,419 |
| Depreciation | 140,019 |
| Total operating expenses | <u>598,751</u> |
| Operating income (loss) | <u>(183,705)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Capital contributions | - |
| Miscellaneous revenue | 101,280 |
| Interest expense | (29,761) |
| Total non-operating revenues (expenses) | <u>71,519</u> |
| Change in net position | (112,186) |
| Net position, beginning | 3,162,078 |
| Net position, ending | <u><u>\$ 3,049,892</u></u> |

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

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

| | Enterprise Fund Water and Sewer Fund |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 413,086 |
| Cash payments for personal services | 102,987 |
| Cash payments for goods and services | (555,703) |
| Increase (decrease) in customer deposits | 3,561 |
| Net cash provided (used) by operating activities | (36,069) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal paid on bonds and other loans | (27,000) |
| Interest paid on bonds and other loans | (29,761) |
| Grants and capital contributions | - |
| Acquisition and construction of assets | - |
| Net cash provided (used) by capital and related financing activities | (56,761) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Miscellaneous revenue | 101,280 |
| Net cash provided (used) by investing activities | 101,280 |
| Net increase (decrease) in cash and cash equivalents | 8,450 |
| Cash and cash equivalents - beginning of year | 77,387 |
| Cash and cash equivalents - end of year | \$ 85,837 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (183,705) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 140,019 |
| (Increase) decrease in accounts receivable | (1,960) |
| (Increase) decrease in inventory | (33) |
| Increase (decrease) in accounts payable and accrued expenses | 268 |
| Increase (decrease) in customer deposits | 3,561 |
| Increase in deferred outflows of resources - pensions | (4,017) |
| Increase in deferred outflows of resources - OPEB | (20,496) |
| Increase in net pension liability | 6,740 |
| Decrease in deferred inflows of resources - pensions | (817) |
| Decrease in deferred inflows of resources - OPEB | (3,987) |
| Increase in OPEB liability | 28,358 |
| Total adjustments | 147,636 |
| Net cash provided (used) by operating activities | \$ (36,069) |

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

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

Note 1 - Summary of Significant Accounting Policies

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

A - Reporting Entity

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

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

Discretely Presented Component Units. The Town appoints the members of the ABC Board's governing board. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Rowland ABC Board, c/o Town of Rowland, Post Office Box 127, Rowland, NC 28383.

B - Basis of Presentation

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

B - Basis of Presentation (continued)

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

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.

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Note 1 - Summary of Significant Accounting Policies (continued)

C - Measurement Focus and Basis of Accounting (continued)

Sales taxes 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 Rowland because the tax is levied by Robeson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned 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 by general revenues.

D - Budgetary Data

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

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

Deposits and Investments

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

Cash and Cash Equivalents

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

Restricted Assets

The Town had no restricted assets in the fiscal year.

Ad Valorem Taxes Receivable

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

Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's enterprise funds and those of the Town of Rowland ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

Capital Assets

The government defines capital assets as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset is not capitalized.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

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

General and Enterprise Funds:

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

Discretely presented component units:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|------------------------|-----------------------------------|
| Buildings | 50-67 years |
| Runways | 25-40 years |
| Land improvements | 20 years |
| Furniture and fixtures | 6-10 years |
| Equipment | 6-35 years |

Deferred outflows/inflows of resources

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

Compensated Absences

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

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

Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

Net Position/Fund Balances (continued)

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

Defined Benefit Cost-Sharing Plans

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

Note 2 - Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

General Fund expenditures exceeded planned, budgeted amounts in connection with general government, environmental protection, and debt service by \$7,752, \$4,565, and \$11,570, respectively. Management will endeavor to make sure the situation will not repeat itself in future years.

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

Note 3 - Detail Notes on All Funds

A - Assets

Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and ABC Board have no policy regarding custodial risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$538,332 and a bank balance of \$560,549. Of the bank balance, all of it was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$63,118 and the bank balance was \$62,442. All of the bank balance of the ABC Board was covered by federal depository insurance.

Capital Assets

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

| Governmental activities - | Beginning | | | Ending |
|----------------------------------|-------------------|------------------|------------------|-------------------|
| Capital assets | Balances | Increases | Decreases | Balances |
| Land (non-depreciable) | \$ 21,305 | \$ - | \$ - | \$ 21,305 |
| Buildings | 244,637 | - | - | 244,637 |
| Improvements | 375,663 | - | - | 375,663 |
| Vehicles | 335,818 | - | - | 335,818 |
| Furniture and equipment | 522,790 | - | - | 522,790 |
| Infrastructure | 375,245 | - | - | 375,245 |
| Total capital assets | <u>1,875,458</u> | <u>-</u> | <u>-</u> | <u>1,875,458</u> |
| Less - | | | | |
| Accumulated depreciation | | | | |
| Buildings | 190,707 | 1,498 | - | 192,205 |
| Improvements | 219,051 | 7,002 | - | 226,053 |
| Vehicles | 324,836 | 12,697 | - | 337,533 |
| Furniture and equipment | 519,548 | - | - | 519,548 |
| Infrastructure | 337,969 | 2,322 | - | 340,291 |
| Total accumulated depreciation | <u>1,592,111</u> | <u>23,519</u> | <u>-</u> | <u>1,615,630</u> |
| Governmental activities - | | | | |
| Capital assets - net | <u>\$ 283,347</u> | | | <u>\$ 259,828</u> |

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

Note 3 - Detail Notes on All Funds (continued)

A - Assets (continued)

Capital Assets (continued)

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

| | |
|----------------------------|------------------|
| General government | \$ 7,379 |
| Public safety | 11,871 |
| Transportation | 4,269 |
| Total depreciation expense | <u>\$ 23,519</u> |

Business-type activities -

Water and Sewer Fund -

| Capital assets | Beginning Balances | Increases | Decreases | Ending Balances |
|---------------------------------|-----------------------|----------------|-----------|---------------------|
| Land (non-depreciable) | \$ 10,300 | \$ - | \$ - | \$ 10,300 |
| Distribution system | 7,536,225 | - | - | 7,536,225 |
| Equipment and automobiles | 458,407 | - | - | 458,407 |
| Total capital assets | <u>8,004,932</u> | <u>-</u> | <u>-</u> | <u>8,004,932</u> |
| Less - | | | | |
| Accumulated depreciation | | | | |
| Distribution system | 3,670,661 | 140,019 | - | 3,810,680 |
| Equipment and automobiles | 458,024 | - | - | 458,024 |
| Total accumulated depreciation | <u>4,128,685</u> | <u>140,019</u> | <u>-</u> | <u>4,268,704</u> |
| Business-type activities | | | | |
| Capital assets - net | <u>\$ 3,876,247</u> | | | <u>\$ 3,736,228</u> |

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

| | |
|---------------------------------|------------------|
| Land | \$ 5,000 |
| Buildings | 22,386 |
| Improvements | 18,632 |
| Furniture and equipment | 13,708 |
| | <u>59,726</u> |
| Less - accumulated depreciation | <u>(37,966)</u> |
| Total ABC fixed assets | <u>\$ 21,760</u> |

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities

Pension Plan and Postemployment Obligations

Local Government Employees' Retirement System

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

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

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

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Government Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rowland 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 Rowland's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Rowland were \$45,473 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 \$159,732 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00447%, which was a decrease of 0.00008% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense (revenue) of \$55,505. 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 | \$ 20,171 | \$ - |
| Changes of assumptions | 11,887 | - |
| Net difference between projected and actual earnings on pension plan investments | 22,478 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 12,484 | 7,163 |
| Town contributions subsequent to the measurement date | 45,473 | - |
| Total | <u>\$ 112,493</u> | <u>\$ 7,163</u> |

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Government Employees' Retirement System (continued)

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

\$45,473 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease 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 | \$ 15,518 |
| 2023 | 21,503 |
| 2024 | 16,183 |
| 2025 | 6,652 |
| 2026 | - |
| Thereafter | - |
| | <u><u>\$ 59,856</u></u> |

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

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

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.

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Government Employees' Retirement System (continued)

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---------------------------------------------------|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <u>100.0%</u> | |

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

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Government Employees' Retirement System (continued)

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

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

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------------------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 324,079 | \$ 159,732 | \$ 23,148 |

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

Law Enforcement Officers Special Separation Allowance

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

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

| | |
|--------------------------------------------------------------------|---|
| Retirees receiving benefits | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | 5 |
| Total | 6 |

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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 criteria which are outlined in GASB Statement 73.

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 percent |

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

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

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$16,577 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$172,582. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$21,182.

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ 13,326 | \$ 6,885 |
| Changes of assumptions | 48,478 | 2,071 |
| Benefits payments and administrative expenses subsequent to the measurement date | - | - |
| Total | <u>\$ 61,804</u> | <u>\$ 8,956</u> |

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

Year ended June 30:

| | |
|------------|------------------|
| 2022 | \$ 12,912 |
| 2023 | 13,116 |
| 2024 | 12,726 |
| 2025 | 14,094 |
| 2026 | - |
| Thereafter | - |
| | <u>\$ 52,848</u> |

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

| | 1% Decrease (0.93%) | Discount Rate (1.93%) | 1% Increase (2.93%) |
|-------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total pension liability | \$ 182,005 | \$ 172,582 | \$ 163,548 |

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

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

| | 2021 |
|----------------------------------------------------|-------------------|
| Beginning balance | \$ 111,166 |
| Service cost | 4,388 |
| Interest on the total pension liability | 3,354 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | |
| in the measurement of the total pension liability | 14,565 |
| Changes of assumptions or other inputs | 55,686 |
| Benefit payments | (16,577) |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 172,582</u> |

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

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

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

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

| | LGERS | LEOSSA | Total |
|-----------------------------------------------------------------------------------------------------------|--------------|---------------|--------------|
| Pension Expense | \$ 55,505 | \$ 21,182 | \$ 76,687 |
| Pension Liability | 159,732 | 172,582 | 332,314 |
| Proportionate share of the net pension liability | .00447% | n/a | |
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | 20,171 | 13,326 | 33,497 |
| Changes of assumptions | 11,887 | 48,478 | 60,365 |
| Net difference between projected and actual earnings on pension plan investments | 22,478 | - | 22,478 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 12,484 | - | 12,484 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 45,473 | - | 45,473 |
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | - | 6,885 | 6,885 |
| Changes of assumptions | - | 2,071 | 2,071 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 7,163 | - | 7,163 |

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes 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 employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$14,772 of which \$12,542 were made by the Town and \$2,230 were made by employees.

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other postemployment benefits

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

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

| | General Employees | Law Enforcement Officers |
|---------------------------------------------------------------------|----------------------|--------------------------------|
| Retirees and dependents receiving benefits | 3 | 1 |
| Terminated plan members entitled to, but not yet receiving benefits | - | - |
| Active plan members | 6 | 5 |
| Total | <u>9</u> | <u>6</u> |

Total OPEB Liability

The Town's total OPEB liability of \$803,055 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

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

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

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.

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Other postemployment benefits (continued)

Changes in the Total OPEB Liability

| | OPEB Liability |
|----------------------------------------------------|---------------------------|
| Balance at July 1, 2019 | \$ 653,801 |
| Service cost | 8,915 |
| Interest | 22,870 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (600) |
| Changes of assumptions or other inputs | 136,793 |
| Benefit payments | (18,724) |
| Net changes | 149,254 |
| Balance at June 30, 2020 | <u>\$ 803,055</u> |

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

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

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

| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB liability | \$ 941,267 | \$ 803,055 | \$ 693,662 |

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:

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Other post-employment benefits (continued)

| | <u>1%</u> <u>Decrease</u> | <u>Discount</u> <u>Rate</u> | <u>1%</u> <u>Increase</u> |
|----------------------|------------------------------|--------------------------------|------------------------------|
| Total OPEB liability | \$ 687,811 | \$ 803,055 | \$ 947,607 |

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 \$39,418. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred</u> <u>Outflows of</u> <u>Resources</u> | <u>Deferred</u> <u>Inflows of</u> <u>Resources</u> |
|----------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 12,103 |
| Changes of assumptions | 107,873 | 36,041 |
| Total | <u>\$ 107,873</u> | <u>\$ 48,144</u> |

\$0 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|----------------------------|------------------|
| Year ended June 30: | |
| 2022 | \$ 7,333 |
| 2023 | 9,695 |
| 2024 | 21,680 |
| 2025 | 21,021 |
| 2026 | - |
| Thereafter | - |
| | <u>\$ 59,729</u> |

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

Other employment benefits

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year end are comprised of – pension related deferrals of \$174,297 and OPEB deferrals of \$107,873.

Deferred inflows of resources at year end are comprised of – property taxes receivable of \$136,030, pension deferrals of \$16,119, and OPEB deferrals of \$48,114.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains workers' compensation coverage up to the statutory limits and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of up to \$5 million for workers' compensation. These pools are reinsured for annual employee health claims in excess of \$150,000.

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries no flood insurance as no assets are considered exposed to this hazard.

In accordance with G.S. 159-29, the finance officer is performance bonded for \$75,000. The Town had no tax collector at the report date. All employees in a position of trust are covered under a blanket employee dishonesty policy with a \$25,000 limit.

Town of Rowland ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

USDA Promissory Notes

On July 13, 2006 the Town executed two direct borrowing promissory notes between it and the USDA (lender) for purposes of renovating a library. Both notes are collateralized by a deed of trust on certain real estate and are to be repaid annually over 25 years. The \$50,000 note bears interest at the rate of 4.5% and the \$75,000 note bears interest at the rate of 4.25%. See repayment schedules on the following page for additional details.

| <u>Years ending June 30:</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|------------------|------------------|------------------|
| 2022 | \$ 8,301 | \$ 5,183 | \$ 3,118 |
| 2023 | 8,301 | 5,408 | 2,893 |
| 2024 | 8,301 | 5,644 | 2,657 |
| 2025 | 8,301 | 5,889 | 2,412 |
| 2026 | 8,301 | 6,145 | 2,156 |
| 2027-2031 | 41,505 | 34,979 | 6,526 |
| 2032-2033 | 8,813 | 8,425 | 388 |
| Total | <u>\$ 91,823</u> | <u>\$ 71,673</u> | <u>\$ 20,150</u> |

General Obligated Indebtedness

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system. These bonds are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021, are comprised of the following issues:

General Obligation Bonds

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Sanitary Sewer Bonds issued July 3, 1989, payable in annual principal installments ranging from \$2,000 to \$8,000 through June 1, 2029; interest at 5.00% | \$ 61,500 |
| Sanitary Sewer Bonds issued January 8, 2001, payable in annual installments ranging from \$7,500 to \$30,000 through June 1, 2040; interest at 4.5% | 449,500 |
| Sanitary Sewer Bonds issued January 8, 2001, payable in annual installments ranging from \$1,900 to \$7,600 through June 1, 2040; interest at 4.5% | <u>115,700</u> |
| Total general obligation bonds | <u>\$ 626,700</u> |

Annual debt service requirements to maturity of general obligation bonds including interest of \$356,124 are as follows:

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

Note 3 - Detail Notes on All Funds (continued)

B - Liabilities (continued)

| <u>Years ending June 30:</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|-------------------|-------------------|-------------------|
| 2022 | \$ 56,109 | \$ 27,600 | \$ 28,509 |
| 2023 | 56,030 | 28,800 | 27,230 |
| 2024 | 55,893 | 30,000 | 25,893 |
| 2025 | 56,203 | 31,700 | 24,503 |
| 2026 | 55,436 | 32,400 | 23,036 |
| 2027-2031 | 251,619 | 159,300 | 92,319 |
| 2032-2036 | 223,496 | 166,500 | 56,996 |
| 2037-2040 | 167,320 | 150,400 | 16,920 |
| Total | <u>\$ 922,106</u> | <u>\$ 626,700</u> | <u>\$ 295,406</u> |

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|----------------------------------|-------------------------------|-------------------|------------------|---------------------------|----------------------------|
| Governmental activities: | | | | | |
| Direct borrowing | | | | | |
| USDA promissory note | \$ 76,640 | \$ - | \$ 4,967 | \$ 71,673 | \$ 5,183 |
| Installment purchases | 22,103 | - | 22,103 | - | - |
| Compensated absences | 13,187 | - | - | 13,187 | - |
| Total OPEB liability | 510,200 | 120,896 | - | 631,096 | - |
| Net pension liability (LGERS) | 99,628 | 28,735 | - | 128,363 | - |
| Total pension liability | 111,166 | 61,416 | - | 172,582 | - |
| Total | <u>\$ 832,924</u> | <u>\$ 211,047</u> | <u>\$ 27,070</u> | <u>\$ 1,016,901</u> | <u>\$ 5,183</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 653,700 | \$ - | \$ 27,000 | \$ 626,700 | \$ 27,600 |
| Compensated absences | 12,900 | - | - | 12,900 | - |
| Total OPEB liability | 143,601 | 28,358 | - | 171,959 | - |
| Net pension liability (LGERS) | 24,629 | 6,740 | - | 31,369 | - |
| Total | <u>\$ 834,830</u> | <u>\$ 35,098</u> | <u>\$ 27,000</u> | <u>\$ 842,928</u> | <u>\$ 27,600</u> |

At June 30, 2021, the Town's legal debt margin is \$4,045,975.

C- Interfund Balances and Activity

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

Due from the General Fund to the Water & Sewer Fund - \$27,914

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

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

Note 4 - Net Investment in Capital Assets

At June 30, 2021, the Town had a total net investment in capital assets of \$3,271,563.

Note 5 - Fund Balance

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

| | |
|---------------------------------|------------|
| Total fund balance-General Fund | \$ 481,587 |
| Less: | |
| Stabilization by State Statute | 103,892 |
| Remaining Fund Balance | \$ 377,695 |

Note 6 - Subsequent Events

Subsequent events were evaluated through February 18, 2022, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

| | Local Government Employees' Retirement System | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Rowland's proportion of the net pension liability (asset) (%) | 0.00447% | 0.00455% | 0.00430% | 0.00067% | 0.00069% | 0.00067% | 0.00061% | 0.00076% |
| Rowland's proportion of the net pension liability (asset) (\$) | \$ 159,732 | \$ 124,257 | \$ 102,011 | \$ 102,357 | \$ 145,380 | \$ 29,979 | \$ (36,210) | \$ 91,609 |
| Rowland's covered-employee payroll | \$ 420,729 | \$ 373,128 | \$ 342,040 | \$ 372,093 | \$ 396,156 | \$ 390,440 | \$ 340,206 | \$ 340,206 |
| Rowland's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 37.97% | 33.30% | 29.82% | 27.51% | 36.70% | 7.56% | (9.27%) | 26.93% |
| Plan fiduciary net position as a percentage of the total pension liability. | 91.63% | 94.18 | 91.47% | 98.09% | 99.07% | 102.64% | 94.35 | 96.45 |

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

Local Government Employees' Retirement System

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 45,473 | \$ 39,997 | \$ 30,864 | \$ 27,491 | \$ 28,282 | \$ 26,273 | \$ 27,221 | \$ 24,467 |
| Contributions in relation to the contractually required contribution | 45,473 | 39,997 | 30,864 | 27,491 | 28,282 | 26,273 | 27,221 | 24,467 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Rowland's covered-employee payroll | \$ 425,712 | \$ 420,729 | \$ 373,128 | \$ 342,040 | \$ 372,093 | \$ 396,156 | \$ 390,440 | \$ 340,206 |
| Contributions as a percentage of covered-employee payroll | 10.68% | 9.51% | 8.27% | 8.04% | 7.60% | 6.63% | 7.21% | 7.19% |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance | \$ 111,166 | \$ 110,556 | \$ 129,489 | \$ 118,143 | \$ 121,452 |
| Service cost | 4,388 | 4,434 | 5,442 | 6,323 | 5,251 |
| Interest on the total pension liability | 3,354 | 3,834 | 3,927 | 4,359 | 4,150 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 14,565 | 296 | (14,562) | 4,268 | - |
| Changes of assumptions or other inputs | 55,686 | 2,475 | (3,311) | 6,825 | (2,281) |
| Benefit payments | (16,577) | (10,429) | (10,429) | (10,429) | (10,429) |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 172,582</u> | <u>\$ 111,166</u> | <u>\$ 110,556</u> | <u>\$ 129,489</u> | <u>\$ 118,143</u> |

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total pension liability | \$ 172,582 | \$ 111,166 | \$ 110,556 | \$ 129,489 | \$ 118,143 |
| Covered payroll | 209,355 | 197,557 | 236,329 | 285,541 | 238,141 |
| Total pension liability as a percentage of covered payroll | 82.44% | 56.27% | 46.78% | 45.35% | 49.61% |

Notes to the schedules:

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

Town of Rowland, 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 | \$ 8,915 | \$ 11,742 | \$ 12,516 | \$ 14,276 |
| Interest | 22,870 | 24,814 | 23,343 | 21,212 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (600) | (11,216) | (3,736) | (10,749) |
| Changes of assumptions | 136,793 | (1,204) | (33,526) | (61,415) |
| Benefit payments | (18,724) | (16,280) | (16,539) | (8,239) |
| Net change in total OPEB liability | 149,254 | 7,856 | (17,942) | (44,915) |
| Total OPEB liability - beginning | 653,801 | 645,945 | 663,887 | 708,802 |
| Total OPEB liability - ending | \$ 803,055 | \$ 653,801 | \$ 645,945 | \$ 663,887 |
| Covered payroll | \$ 313,520 | \$ 313,520 | \$ 290,124 | \$ 290,124 |
| Total OPEB liability as a percentage of covered payroll | 256.14% | 208.54% | 222.64% | 228.83% |

Notes to the schedules:

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

| <u>Fiscal year</u> | <u>Rate</u> |
|---------------------------|--------------------|
| 2021 | 2.21% |
| 2020 | 3.50% |
| 2019 | 3.89% |
| 2018 | 3.56% |

Individual Fund Statements and Schedules

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

| | 2021 | | Variance |
|----------------------------------------|------------------|------------------|--------------------------------|
| | Budget | Actual | Positive (Negative) |
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | \$ | \$ 353,940 | \$ |
| Prior years | | 70,451 | |
| Total | <u>548,415</u> | <u>424,391</u> | <u>(124,024)</u> |
| Other taxes and licenses: | | | |
| Utility franchise tax | | 51,116 | |
| Local option sales tax | | 307,573 | |
| Privilege and gaming licenses | | 68,500 | |
| Zoning permits | | 450 | |
| Occupancy tax | | 15,087 | |
| Total | <u>287,650</u> | <u>442,726</u> | <u>155,076</u> |
| Unrestricted intergovernmental: | | | |
| Beer and wine tax | | 4,076 | |
| ABC profit distributions | | 4,931 | |
| Video franchise fee | | 2,003 | |
| Telecommunications sales tax | | 3,174 | |
| Total | <u>41,855</u> | <u>14,184</u> | <u>(27,671)</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | | 36,411 | |
| Grants | | 39,972 | |
| Courtroom facility fees | | 573 | |
| Solid waste disposal tax | | 727 | |
| Total | <u>\$ 34,065</u> | <u>\$ 77,683</u> | <u>\$ 43,618</u> |

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

| | 2021 | | |
|-------------------------------------|-------------------|-------------------|---------------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Revenues (continued): | | | |
| Other general revenues: | | | |
| Donations | \$ | \$ 5,920 | \$ |
| Miscellaneous income | | 13,524 | |
| Investment earnings | | 2,387 | |
| Sanitation fees | | 158,812 | |
| Rent | | 725 | |
| Total other general revenues | <u>168,750</u> | <u>181,368</u> | <u>12,618</u> |
| Total revenues | <u>1,080,735</u> | <u>1,140,352</u> | <u>59,617</u> |
| Expenditures: | | | |
| General government: | | | |
| Board remuneration | | 8,558 | |
| Professional fees | | 14,907 | |
| Legal fees | | 15,705 | |
| Election expense | | - | |
| Dues and fees | | 4,049 | |
| Insurance and bonds | | 18,728 | |
| Rescue squad | | - | |
| Contributions | | 11,273 | |
| Other operating expenditures | | 9,842 | |
| Total | <u>73,199</u> | <u>83,062</u> | <u>(9,863)</u> |
| Administration: | | | |
| Salaries and employee benefits | | 91,492 | |
| Miscellaneous | | 159 | |
| Telephone and postage | | 7,379 | |
| Utilities | | 4,541 | |
| Maintenance and repairs | | 40,562 | |
| Advertising | | 1,240 | |
| Supplies and printing | | 6,708 | |
| Dues and fees | | 231 | |
| Insurance and bonds | | 2,577 | |
| Total | <u>157,000</u> | <u>154,889</u> | <u>2,111</u> |
| Total general government | <u>\$ 230,199</u> | <u>\$ 237,951</u> | <u>\$ (7,752)</u> |

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

| | 2021 | | |
|----------------------------------|-------------------|-------------------|---------------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Expenditures (continued): | | | |
| Public Safety: | | | |
| Police: | | | |
| Salaries and employee benefits | \$ | \$ 435,817 | \$ |
| Telephone and postage | | 7,776 | |
| Utilities | | 2,939 | |
| Maintenance and repairs | | 36,834 | |
| Vehicle expense | | 16,344 | |
| Supplies | | 3,261 | |
| Uniform expense | | 4,709 | |
| Dues and subscriptions | | - | |
| Insurance and bonds | | 19,789 | |
| Miscellaneous expense | | 7,246 | |
| Capital outlay | | - | |
| Total | <u>572,600</u> | <u>534,715</u> | <u>37,885</u> |
| Fire: | | | |
| Telephone | | 572 | |
| Utilities | | 438 | |
| Vehicle expense | | - | |
| Insurance and bonds | | 16,827 | |
| Miscellaneous | | 3,163 | |
| Total | <u>21,000</u> | <u>21,000</u> | <u>-</u> |
| Total public safety | <u>\$ 593,600</u> | <u>\$ 555,715</u> | <u>\$ 37,885</u> |

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

| | 2021 | | Variance |
|---------------------------------------|---------------------|---------------------|-------------------|
| | Budget | Actual | Positive |
| | | | (Negative) |
| Expenditures (continued) | | | |
| Environmental protection: | | | |
| Landfill expense | \$ | \$ 437 | \$ |
| Contracted services | | 126,028 | |
| Miscellaneous | | 6,000 | |
| Total environmental protection | <u>127,900</u> | <u>132,465</u> | <u>(4,565)</u> |
| Transportation: | | | |
| Powell Bill: | | | |
| Salaries and employee benefits | | 47,527 | |
| Patching and resurfacing | | 4,766 | |
| Maintenance and repairs | | 4,680 | |
| Vehicle expense | | 3,148 | |
| Supplies | | 1,967 | |
| Uniform expense | | 2,206 | |
| Insurance and bonds | | 3,693 | |
| Total | <u>80,600</u> | <u>67,987</u> | <u>12,613</u> |
| Streets: | | | |
| Utilities | | 26,573 | |
| Maintenance and repairs | | 3,607 | |
| Mosquito control | | 4,004 | |
| Vehicle expense | | 4,076 | |
| Supplies | | 5,550 | |
| Insurance and bonds | | 827 | |
| Miscellaneous expense | | - | |
| Total | <u>44,700</u> | <u>44,637</u> | <u>63</u> |
| Total transportation | <u>125,300</u> | <u>112,624</u> | <u>12,676</u> |
| Debt Service: | | | |
| Principal | | 27,070 | |
| Interest | | 4,415 | |
| Total debt service | <u>20,801</u> | <u>31,485</u> | <u>(10,684)</u> |
| Non-departmental: | <u>13,000</u> | <u>-</u> | <u>13,000</u> |
| Total expenditures | <u>\$ 1,110,800</u> | <u>\$ 1,070,240</u> | <u>\$ 40,560</u> |

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

| | 2021 | | Variance |
|-------------------------------------------|--------------------|--------------------------|--------------------------------|
| | Budget | Actual | Positive (Negative) |
| Total revenues | \$ 1,080,735 | \$ 1,140,352 | \$ 59,617 |
| Total expenditures | <u>1,110,800</u> | <u>1,070,240</u> | <u>40,560</u> |
| Revenues over (under) expenditures | (30,065) | 70,112 | 100,177 |
| Fund balance appropriated | <u>30,065</u> | <u>-</u> | <u>30,065</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | 70,112 | <u><u>\$ (70,112)</u></u> |
| Fund balance, beginning | | <u>411,475</u> | |
| Fund balance, ending | | <u><u>\$ 481,587</u></u> | |

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

| | 2021 | | Variance |
|-------------------------------------|-------------------|-------------------|--------------------------------|
| | Budget | Actual | Positive (Negative) |
| <u>Revenues:</u> | | | |
| Operating revenues | | | |
| Water and sewer revenue | \$ | \$ 412,456 | \$ |
| Reconnection fees | | 2,590 | |
| Total operating revenues | 510,600 | 415,046 | (95,554) |
| Non-operating revenues: | | | |
| FEMA assistance - Hurricane Matthew | | 58,428 | |
| Miscellaneous income | | 42,852 | |
| Total non-operating revenues | - | 101,280 | 101,280 |
| Total revenues | 510,600 | 516,326 | 5,726 |
| <u>Expenditures</u> | | | |
| Water | | | |
| Salaries and benefits | | 113,242 | |
| Telephone and postage | | 2,119 | |
| Utilities | | 16,256 | |
| Maintenance and repairs | | 45,882 | |
| Water and sewer tests | | 1,996 | |
| Vehicle expense | | 4,057 | |
| Supplies | | 23,168 | |
| Uniforms | | 4,883 | |
| Dues and fees | | 1,259 | |
| Insurance and bonds | | 5,097 | |
| Miscellaneous | | 6,520 | |
| Total water | \$ 217,800 | \$ 224,479 | \$ (6,679) |

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

| | 2021 | | |
|----------------------------------------------|-------------------|-------------------|---------------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| <u>Expenditures (continued)</u> | | | |
| Sewer | | | |
| Salaries and benefits | \$ | \$ 34,735 | \$ |
| Telephone and postage | | 1,979 | |
| Utilities | | 36,165 | |
| Maintenance and repairs | | 74,444 | |
| Sewer tests | | 10,128 | |
| Vehicle expense | | 4,057 | |
| Supplies | | 6,720 | |
| Uniforms | | 1,645 | |
| Contracted services | | 26,400 | |
| Dues and fees | | 5,147 | |
| Insurance and bonds | | 5,268 | |
| Miscellaneous expense | | 6,365 | |
| Total sewer | <u>220,300</u> | <u>213,053</u> | <u>7,247</u> |
| Debt service | | | |
| Principal retirement | | 27,000 | |
| Interest | | 29,761 | |
| Total debt service | <u>57,000</u> | <u>56,761</u> | <u>239</u> |
| Non-departmental - retirees insurance | <u>15,500</u> | <u>15,419</u> | <u>81</u> |
| Total expenditures | <u>\$ 510,600</u> | <u>\$ 509,712</u> | <u>\$ 888</u> |

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

| | 2021 | | Variance |
|-----------------------------------------------------------------------------------|----------------|-----------------|--------------------------------|
| | Budget | Actual | Positive (Negative) |
| Total revenues | \$ 510,600 | \$ 516,326 | \$ 5,726 |
| Total expenditures | <u>510,600</u> | <u>509,712</u> | <u>888</u> |
| Revenue over (under) expenditures | - | 6,614 | 6,614 |
| Fund balance appropriated | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenue and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ 6,614</u> | <u>\$ 6,614</u> |

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

Revenue over (under) expenditures \$ 6,614

Reconciling items:

| | |
|-------------------------------------------------------|------------------|
| Principal retirement | 27,000 |
| Increase in deferred outflows of resources - pensions | 4,017 |
| Increase in deferred outflows of resources - OPEB | 20,496 |
| Increase in net pension liability | (6,740) |
| Decrease in deferred inflows of resources - pensions | 817 |
| Decrease in deferred inflows of resources - OPEB | 3,987 |
| Increase in OPEB liability | (28,358) |
| Capital contributions | - |
| Depreciation | <u>(140,019)</u> |

Change in net position \$ (112,186)

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

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------------------|----------------------------------|------------------------|------------------------------------|--------------------------|---------------------------------------------|
| Revenues: | | | | | |
| Asset Inventory Assessment Grant: | | | | | |
| NC DEQ | \$ 125,950 | \$ 125,950 | \$ - | \$ 125,950 | \$ - |
| Total revenues | <u>125,950</u> | <u>125,950</u> | <u>-</u> | <u>125,950</u> | <u>-</u> |
| Expenditures: | | | | | |
| Planning and design | <u>125,950</u> | <u>125,950</u> | <u>-</u> | <u>125,950</u> | <u>-</u> |
| Total expenditures | <u>125,950</u> | <u>125,950</u> | <u>-</u> | <u>125,950</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Other Schedules

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

| Fiscal Year | Uncollected Balances June 30, 2020 | Additions | Collections and Credits | Uncollected Balances June 30, 2021 |
|------------------------------------------------------------|---------------------------------------------------|-------------------|----------------------------------------|---------------------------------------------------|
| 2020-2021 | \$ - | \$ 399,540 | \$ 378,931 | \$ 20,609 |
| 2019-2020 | 34,060 | - | 13,374 | 20,686 |
| 2018-2019 | 22,904 | - | 8,370 | 14,534 |
| 2017-2018 | 18,106 | - | 6,290 | 11,816 |
| 2016-2017 | 17,861 | - | 3,252 | 14,609 |
| 2015-2016 | 14,058 | - | 3,055 | 11,003 |
| 2014-2015 | 14,507 | - | 2,513 | 11,994 |
| 2013-2014 | 13,744 | - | 2,593 | 11,151 |
| 2012-2013 | 15,072 | - | 2,834 | 12,238 |
| 2011-2012 | 11,109 | - | 3,719 | 7,390 |
| 2010-2011 | 11,063 | - | 11,063 | - |
| | <u>\$ 172,484</u> | <u>\$ 399,540</u> | <u>\$ 435,994</u> | <u>136,030</u> |
| Less: Allowance for uncollected accounts - General Fund | | | | <u>-</u> |
| Ad valorem taxes receivable - net | | | | <u><u>\$ 136,030</u></u> |
| Reconciliation to revenues: | | | | |
| Taxes - Ad valorem - General Fund | | | | \$ 424,391 |
| Reconciling items: | | | | |
| Taxes written off | | | | 11,063 |
| Other | | | | <u>540</u> |
| Total collections and credits | | | | <u><u>\$ 435,994</u></u> |

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

| | <u>Town-wide Levy</u> | | | <u>Total Levy</u> | |
|----------------------------------------------|-------------------------------|-----------------------------|-----------------------|---------------------------------------------------------------------|------------------------------------------|
| | <u>Property Valuation</u> | <u>Rate (per \$100)</u> | <u>Total Levy</u> | <u>Property Excluding Registered Motor Vehicles</u> | <u>Registered Motor Vehicles</u> |
| Original Levy | | | | | |
| Property taxed at current year's rate | <u>\$ 50,574,684</u> | <u>0.0079</u> | \$ 399,540 | \$ 362,220 | \$ 37,320 |
| Discoveries | | | - | - | - |
| Releases | | | - | - | - |
| Net levy | | | 399,540 | 362,220 | 37,320 |
| Less - Uncollected taxes at June 30, 2021 | | | <u>20,609</u> | <u>20,609</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 378,931</u> | <u>\$ 341,611</u> | <u>\$ 37,320</u> |
| Current levy collection percentage | | | <u>94.84%</u> | <u>94.31%</u> | <u>100.00%</u> |

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rowland, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Rowland's basic financial statements and have issued our report thereon dated February 18, 2022. The financial statements of the Rowland ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency, item 2021-001.

Compliance and Other Matters

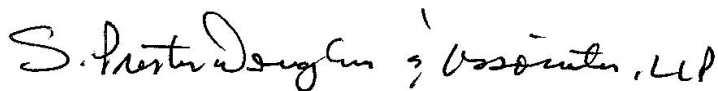
As part of obtaining reasonable assurance about whether Town of Rowland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Town of Rowland's Response to Findings

The Town of Rowland'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 audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion in it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

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

Lumberton, North Carolina
February 18, 2022

Town of Rowland, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

| |
|------------------------------------------------|
| Section I. Summary of Auditor's Results |
|------------------------------------------------|

Financial Statements

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------|----------------------------------------------------|------------------------------------------|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(s) identified that are not considered to be material weaknesses • Noncompliance material to financial statements | <p>_____</p> <p>_____X_____</p> <p>_____</p> | <p>yes</p> <p>yes</p> <p>yes</p> | <p>_____X_____</p> <p>_____</p> <p>_____X_____</p> | <p>no</p> <p>none reported</p> <p>no</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------|----------------------------------------------------|------------------------------------------|

Town of Rowland, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY / NONCOMPLIANCE

Finding: 2021 – 001 Excess Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Finance Officer underestimated department expenditures when preparing budget amendments.

Effect: Money was spent that had not been appropriated.

Cause: Money was spent that had not been formally appropriated in the current fiscal year.

Recommendation: Institute a process to ensure that only those amounts appropriated are actually spent.

Views of responsible officials and planned corrective actions: Town officials agree with this finding and recommended action to ensure that only those amounts appropriated are actually spent.

TOWN OF ROWLAND
Rowland, North Carolina



P. O. Box 127
Zip: 28383

910-422-3333
Fax (910) 422-8191

Corrective Action Plan
For the Year Ended June 30, 2021

| |
|-------------------------------------------------|
| Section II. Financial Statement Findings |
|-------------------------------------------------|

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2021-001

Excess of Expenditures over Appropriations

Name of Contact Person: Ted Filli, Finance Officer

Corrective Action: The Town will monitor the budget and expenditures and make amendments accordingly.

Proposed Completion Date: The Town will implement the above procedures immediately.

Town of Rowland, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

There were no prior year audit findings.