

REVIEWED

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TOWN OF RUTHERFORD COLLEGE

RUTHERFORD COLLEGE, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2021

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

TOWN OF RUTHERFORD COLLEGE
TOWN OFFICIALS
JUNE 30, 2021

MAYOR

Gary McClure

BOARD OF ALDERMEN

Wayne Annas

Kress Berry

James Huffman, Jr.

Zachary Cagle

Gerald Smith

Mark Stinson

TOWN MANAGER

Kenneth Geathers, Jr.

FINANCE OFFICER

Jessica Bargsley

Town of Rutherford College, North Carolina
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June 30, 2021

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FINANCIAL SECTION

S. Eric Bowman, P.A.

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Independent Auditor's Report

Honorable Mayor and Board of Aldermen
Town of Rutherford College
Rutherford College, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 presentation of the financial statements.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rutherford College

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 and each major fund, of the Town of Rutherford College, 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 on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 39 and 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Rutherford College's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the financial statements.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rutherford College

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

A handwritten signature in dark ink, reading "S. Eric Bowman". The signature is fluid and cursive, with a long horizontal stroke at the end.

S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
July 21, 2021

TOWN OF RUTHERFORD COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rutherford College's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Rutherford College exceeded its liabilities at the close of the fiscal year by \$4 290 403 (*net position*).
- The government's total net position increased by \$36 245 due primarily to increases in governmental activities *net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$905 592, or 104 percent of total general fund expenditures for the fiscal year.
- Town of Rutherford College's total long term debt decreased by \$67 630 or 3 percent during the current fiscal year.
- The Town does not have a bond rating because all of the bonds are USDA debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and an optional section that presents *statements* for non-major governmental funds, if any. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's government, reporting the Town's operations in *more detail* than the government-wide statements.
 - The *government funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short and long term* financial information about the activities the government operates *like businesses*, such as the water and sewer operation.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section with statements that provide details about non-major governmental funds, if any, which is presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1
MAJOR FEATURES OF TOWN OF RUTHERFORD COLLEGE’S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary or fiduciary, such as general government and transportation	Activities the Town operates similar to private businesses: the sewer operations
Required financial statements	<ul style="list-style-type: none">• Statement of net position• Statement of activities	<ul style="list-style-type: none">• Balance sheet• Statement of revenues, expenditures, and changes in fund balances	<ul style="list-style-type: none">• Statement of net position• Statement of revenues, expenses, and changes in net position• Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s *net position* and how they have changed. Net position-the difference between the Town’s assets and liabilities-is one way to measure the Town’s financial health, or position.

- Over time, increases or decreases in the Town’s *net position* are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional nonfinancial factors such as changes in the Town’s property tax base.

The government-wide financial statements of the Town are divided into two categories:

- *Governmental activities* - Most of the Town's basic services are included here, such as administration and transportation. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer activities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds*-not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen establishes other funds to control and manage money for particular purposes.

The Town has two kinds of funds:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the Town's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements.

Also included in this section are budgetary comparison statements for all major governmental funds.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Rutherford College's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 39 and 40 of this report.

Interdependence with Other Entities

The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of Town of Rutherford College, assets exceeded liabilities by \$4 290 403 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET POSITION

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 1 099 758	\$1 012 009	\$ 1 021 536	\$ 1 070 882	\$ 2 121 294	\$ 2 082 891
Capital Assets	1 424 156	1 344 702	3 267 439	3 287 059	4 691 595	4 631 761
Deferred Outflows of Resources	53 974	44 336	9 525	7 824	63 499	52 160
Total Assets and Deferred Outflows of Resources	2 577 888	2 401 047	4 298 500	4 365 765	6 876 388	6 766 812
Long-Term Debt Outstanding	831 934	847 946	1 454 680	1 506 298	2 286 614	2 354 244
Other Liabilities	222 972	99 070	70 603	56 554	293 575	155 624
Deferred Inflows of Resources	4 927	2 368	869	418	5 796	2 786
Total Liabilities and Deferred Inflows of Resources	1 059 833	949 384	1 526 152	1 563 270	2 585 985	2 512 654
Net Position:						
Net Investment in Capital						
Assets	592 222	496 756	1 812 759	1 780 761	2 404 981	2 277 517
Restricted	70 647	54 271			70 647	54 271
Unrestricted	855 186	900 636	959 589	1 021 734	1 814 775	1 922 370
Total Net Position	\$ 1 518 055	\$1 451 663	\$ 2 772 348	\$2 802 495	\$ 4 290 403	\$ 4 254 158

The largest portion of net position (56%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Town of Rutherford College uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Rutherford College's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, the Town of Rutherford College has implemented GASB Statement 68. With this reporting, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Rutherford College management.

Change in Net Position

The Town's total revenues were \$1 586 824 at June 30, 2021 (see Table 2). Charges for services made up 46% of revenues. Property taxes and other taxes made up 11% and 27% of revenues respectively. The Town's expenses cover a range of services with 35% of those expenses being related to general government.

TABLE 2
CHANGE IN NET POSITION

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 10 845	\$ 16 065	\$ 722 079	\$ 702 138	\$ 732 924	\$ 718 203
Operating and Capital						
Grants	52 417	46 201			52 417	46 201
General Revenues:						
Property Taxes	170 876	162 715			170 876	162 715
Other Taxes	436 359	371 270			436 359	371 270
Other	194 157	196 653	91	127	194 248	196 780
Total Revenues	864 654	792 904	722 170	702 265	1 586 824	1 495 169
<u>Expenses</u>						
General Government	549 580	463 038			549 580	463 038
Environmental Protection	71 201	70 286			71 201	70 286
Economic and Physical						
Development	24 262	49 436			24 262	49 436
Transportation	104 688	88 539			104 688	88 539
Cultural and Recreational	11 429	11 693			11 429	11 693
Debt Service	37 102	37 773			37 102	37 773
Water and Sewer			752 317	787 856	752 317	787 856
Total Expenses	798 262	720 765	752 317	787 856	1 550 579	1 508 621
Increase (Decrease) In Net Position	66 392	72 139	(30 147)	(85 591)	36 245	(13 452)
Net Position, July 1	1 451 663	1 379 524	2 802 495	2 888 086	4 254 158	4 267 610
Net Position, June 30	\$ 1 518 055	\$1 451 663	\$ 2 772 348	\$2 802 495	\$4 290 403	\$4 254 158

Table 3 presents the cost of each of the Town's six largest programs-general government, environmental protection, economic and physical development, transportation, recreation and debt service-as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

- The cost of all *governmental* activities this year was \$798 thousand.
- However, the amount that our taxpayers paid for these activities through Town taxes was \$735 thousand. Some of the cost was paid by:

Those who directly benefited from the programs
(11 thousand) or

Other governments and organizations that
subsidized certain programs with grants and
contributions (52 thousand).

- The Town paid for the \$735 thousand "public benefit" portion with \$607 thousand in taxes, and with other revenues such as interest and miscellaneous revenues.

TABLE 3
NET COST OF TOWN OF RUTHERFORD COLLEGE'S GOVERNMENTAL ACTIVITIES
(In Thousands of Dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Government	\$ 550	\$ 463	\$ 537	\$ 447
Environmental Protection	71	70	71	70
Economic and Physical Development	24	49	17	49
Transportation	105	88	62	42
Recreation	11	12	11	12
Debt Service	<u>37</u>	<u>38</u>	<u>37</u>	<u>38</u>
Total	<u>\$ 798</u>	<u>\$ 720</u>	<u>\$ 735</u>	<u>\$ 658</u>

Business-type Activities

Revenues of the Town's business-type activities totaled \$722 170 with expenses totaling \$752 317 (see Table 2). This produced a deficit of \$30 147. The deficit was caused by the Town's inability to fund depreciation expense.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of Town of Rutherford College. At the end of the current fiscal year, available fund balance of the General Fund was \$905 592 while total fund balance was \$991 239. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 104 percent of total General Fund expenditures, while total fund balance represents 114 percent of that same amount.

At June 30, 2021, the governmental fund of Town of Rutherford College reported a total fund balance of \$991 239. Approximately 7 percent of this amount or \$70 647 is nonspendable or restricted. The net change in fund balance was \$(9 447).

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 service. Total amendments increased the General Fund's budget by \$57 500.

Proprietary Funds. Town of Rutherford College'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 \$959 589.

Capital Asset and Debt Administration

Capital assets: Town of Rutherford College's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$4 691 595 (net of accumulated depreciation). These assets include land, buildings, distribution systems and infrastructure.

Major capital asset transactions during the year include:

Construction in Progress-Greenway

Utility Lines

Town of Rutherford College's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and Construction						
In Progress	\$ 239 848	\$ 112 941	\$ 1 699	\$ 1 699	\$ 241 547	\$ 114 640
Buildings	1 074 333	1 115 968			1 074 333	1 115 968
Distribution Systems			3 110 186	3 118 942	3 110 186	3 118 942
Equipment	40 376	55 361	155 554	166 418	195 930	221 779
Infrastructure	69 599	60 432			69 599	60 432
Total	<u>\$ 1 424 156</u>	<u>\$ 1 344 702</u>	<u>\$ 3 267 439</u>	<u>\$3 287 059</u>	<u>\$4 691 595</u>	<u>\$4 631 761</u>

Long-term Debt. As of June 30, 2021, Town of Rutherford College had total debt outstanding (excluding pension liability) of \$2 286 614, of which General Obligation Bonds are backed by the full faith and credit of the Town.

Town of Rutherford College's Outstanding Debt
All Debt funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment Obligation	\$ 831 934	\$ 847 946	\$	\$	\$ 831 934	\$ 847 946
Bonds			826 500	853 500	826 500	853 500
Notes			386 310	394 875	386 310	394 875
Revolving Loans			241 870	257 923	241 870	257 923
Total	<u>\$ 831 934</u>	<u>\$ 847 946</u>	<u>\$1 454 680</u>	<u>\$1 506 298</u>	<u>\$2 286 614</u>	<u>\$2 354 244</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Town of Rutherford College is \$8 919 653.

Ad Valorem and Vehicle tax collections. The Town maintained a tax collection rate of 98.36%. The statewide average in fiscal year 2021 was 98.65%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Budgeted expenditures will increase approximately 3 percent. This will include Greenway project expenditures which will be approximately \$8 500.

Business-type Activities: Operating expenditures in the Enterprise Fund will remain constant. American Rescue Plan funds of \$208 000 are to be expended on Water and Sewer projects.

Economic Factors and Next Year's Budgets and Rates

The Town of Rutherford College continues to experience the economic impact from manufacturing job losses and the economic impact of Covid-19 in Burke County. As a result, the Board has committed to using approximately \$15 000 of general fund balance in the coming fiscal year.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Rutherford College, P. O. Box 406, Rutherford College, NC 28671.

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Total Government</u>		
	<u>Governmental</u>	<u>Business -</u>	
<u>Assets</u>	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
Current Assets:			
Cash and Cash Equivalents	\$ 1 026 023	\$ 940 271	\$ 1 966 294
Receivables (Net of Allowance For Uncollectibles	73 735	81 265	155 000
Total Current Assets	1 099 758	1 021 536	2 121 294
Non Current Assets:			
Capital Assets:			
Land and Construction in Progress	239 848	1 699	241 547
Other Capital Assets, Net of Depreciation	1 184 308	3 265 740	4 450 048
Total Non Current Assets	1 424 156	3 267 439	4 691 595
Total Assets	\$ 2 523 914	\$ 4 288 975	\$ 6 812 889
<u>Deferred Outflows of Resources</u>	53 974	9 525	63 499
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 105 431	\$ 47 438	\$ 152 869
Compensated Absences	8 498	3 922	12 420
Current Portion of Long Term Obligations	16 713	53 027	69 740
Total Current Liabilities	130 642	104 387	235 029
Non Current Liabilities:			
Non Current Portion of Long Term Obligations	815 221	1 401 653	2 216 874
Net Pension Liability	109 043	19 243	128 286
Total Non Current Liabilities	924 264	1 420 896	2 345 160
Total Liabilities	1 054 906	1 525 283	2 580 189
<u>Deferred Inflows of Resources</u>	4 927	869	5 796
<u>Net Position</u>			
Net Investment in Capital Assets	592 222	1 812 759	2 404 981
Restricted For:			
Stabilization by State Statute	70 647		70 647
Unrestricted	855 186	959 589	1 814 775
Total Net Position	\$ 1 518 055	\$ 2 772 348	\$ 4 290 403

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Government		Total
					Governmental Activities	Business - Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 549 580	\$ 3 995	\$ 9 075	\$	\$ (536 510)	\$	\$ (536 510)
Environmental Protection	71 201				(71 201)		(71 201)
Economic and Physical Development	24 262	6 850			(17 412)		(17 412)
Transportation	104 688		43 342		(61 346)		(61 346)
Cultural and Recreational	11 429				(11 429)		(11 429)
Debt Service	37 102				(37 102)		(37 102)
Total Governmental Activities	<u>798 262</u>	<u>10 845</u>	<u>52 417</u>		<u>(735 000)</u>		<u>(735 000)</u>
Business-Type Activities:							
Water and Sewer	<u>752 317</u>	<u>722 079</u>				(30 238)	<u>(30 238)</u>
Total Government	<u>\$ 1 550 579</u>	<u>\$ 732 924</u>	<u>\$ 52 417</u>	<u>\$</u>	<u>(735 000)</u>	<u>(30 238)</u>	<u>(765 238)</u>
General Revenues:							
Taxes:							
Property Taxes					170 876		170 876
Local Option Sales Taxes					436 359		436 359
Investment Earnings					239	18	257
Miscellaneous					<u>193 918</u>	<u>73</u>	<u>193 991</u>
Total General Revenues					<u>801 392</u>	<u>91</u>	<u>801 483</u>
Changes in Net Position					<u>66 392</u>	<u>(30 147)</u>	<u>36 245</u>
Net Position - Beginning					<u>1 451 663</u>	<u>2 802 495</u>	<u>4 254 158</u>
Net Position - Ending					<u>\$ 1 518 055</u>	<u>\$2 772 348</u>	<u>\$4 290 403</u>

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

TOWN OF RUTHERFORD COLLEGE
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021

Exhibit 3

	<u>General Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$1 026 023
Receivables, Net	70 647
Property Tax Receivable, Net	<u>3</u>
088	
Total Assets	<u>\$1 099 758</u>
<u>Liabilities:</u>	
Accounts Payable and Accrued Liabilities	<u>\$ 105 431</u>
<u>Deferred Inflows of Resources:</u>	
Unavailable Property Taxes	<u>3 088</u>
<u>Fund Balance:</u>	
Restricted For:	
Stabilization by State Statute	70 647
Assigned To:	
Appropriated for Subsequent Year's Expenditures	15 000
Unassigned	<u>905 592</u>
239	
Total Fund Balance	<u>991</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$1 099</u>
	<u>758</u>

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

TOWN OF RUTHERFORD COLLEGE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

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

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds		\$ 1 424 156
Deferred outflows of resources related to pensions are not reported in the funds		53 974
Liabilities for earned revenues considered deferred inflows of resources in fund statements		3 088
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(831 934)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Net Pension Liability	109 043	
Compensated Absences	8 498	
Deferred inflows of resources related to pensions are not reported in the funds	<u>4 927</u>	(122 468)
Fund Balance - Governmental Funds (Exhibit 3)		<u>991 239</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 1 518 055</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
<u>Revenue</u>	
Taxes:	
Property	\$ 170 083
Local Option Sales	436 359
Intergovernmental	242 981
Charges for Services	10 845
Investment Earnings	239
Miscellaneous	<u>3 354</u>
 Total Revenues	 <u>863</u>
 <u>Expenditures</u>	
Current:	
General Government	479 477
Environmental Protection	64 094
Economic and Physical Development	24 262
Transportation	113 855
Cultural and Recreational	138 506
Debt Service	<u>53 114</u>
 Total Expenditures	 <u>873 308</u>
 Net Change in Fund Balances	 (9 447)
 Fund Balances:	
Beginning of Year	<u>1 000 686</u>
 End of Year	 <u>\$ 991 239</u>

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

TOWN OF RUTHERFORD COLLEGE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total Governmental
Funds (Exhibit 4) \$ (9 447)

Amounts reported for *Governmental Activities* in the
Statement of Activities (Exhibit 2) are different
because:

Governmental Funds report Capital Outlays as
expenditures. However, in the Statement of
Activities the cost of those assets is allocated
over their estimated useful lives and reported as
depreciation expense. This is the amount by which
Capital Outlays \$140 557 was more than depreciation
expense of \$61 103 in the current period. 79 454

Contributions to the Pension Plan in the current fiscal
year are not included in the Statement of Activities 16 351

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-Property taxes 793

Loan proceeds provide current financial resources to
Governmental Funds, but issuing debt increases long-
term liabilities in the Statement of Net Position.
Repayment of debt principal is an expenditure in the
Governmental Funds, but the repayment reduces long-
term liabilities in the Statement of Net Position.
This is the amount by which repayments were more
than proceeds. 16 012

Some expenses reported in the statement of activities
do not require the use of current financial
resources and, therefore, are not reported as
expenditures in governmental funds:
Compensated absences 1 558
Pension Expense 35 213 (36 771)

Change in Net Position of Governmental Activities
(Exhibit 2) \$ 66
392

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

TOWN OF RUTHERFORD COLLEGE
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variances With Final Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 159 500	\$ 159 500	\$ 170 083	\$ 10 583
Local Option Sales Tax	375 000	375 000	436 359	61 359
Unrestricted Intergovernmental	112 000	112 000	138 704	26 704
Restricted Intergovernmental	171 000	171 000	104 277	(66 723)
Sales and Services	30 600	30 600	10 845	(19 755)
Investment Earnings			239	239
Miscellaneous	3 000	3 000	3 354	354
Total Revenues	<u>851 100</u>	<u>851 100</u>	<u>863 861</u>	<u>12 761</u>
Expenditures:				
Current:				
General Government	479 350	545 050	479 477	65 573
Environmental Protection	69 000	64 000	64 094	(94)
Economic and Physical Development	93 500	95 300	24 262	71 038
Transportation	117 000	117 000	113 855	3 145
Cultural and Recreational	112 500	107 500	138 506	(31 006)
Debt Service	53 300	53 300	53 114	186
Total Expenditures	<u>924 650</u>	<u>982 150</u>	<u>873 308</u>	<u>108 842</u>
Revenues Over (Under) Expenditures	<u>(73 550)</u>	<u>(131 050)</u>	<u>(9 447)</u>	<u>121 603</u>
Other Financing Sources (Uses):				
Appropriated Fund Balance	<u>73 550</u>	<u>131 050</u>		<u>(131 050)</u>
Net Change in Fund Balance	<u>\$</u>	<u>\$</u>	<u>\$ (9 447)</u>	<u>\$ (9 447)</u>
Fund Balance:				
Beginning of Year, July 1			1 000 686	
End of Year, June 30			<u>\$ 991 239</u>	

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF NET POSITION-PROPRIETARY FUND
JUNE 30, 2021

	<u>Enterprise Fund</u> <u>Water and Sewer</u> June 30, 2021
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 940 271
Accounts Receivable-Net	<u>81 265</u>
Total Current Assets	<u>1 021 536</u>
<u>Noncurrent Assets:</u>	
Fixed Assets - Net	<u>3 267 439</u>
Total Assets	<u>\$4 288 975</u>
<u>Deferred Outflows of Resources:</u>	
Pension Deferrals	<u>9 525</u>
<u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts Payable and Accrued Liabilities	\$ 47 438
Accrued Compensated Absences	3 922
Bonds Payable - Current Maturities	28 000
Notes Payable-Current Maturities	<u>25 027</u>
Total Current Liabilities	<u>104 387</u>
<u>Noncurrent Liabilities</u>	
Bonds Payable	798 500
Notes Payable	603 153
Net Pension Liability	<u>19 243</u>
Total Noncurrent Liabilities	<u>1 420 896</u>
Total Liabilities	<u>1 525 283</u>
<u>Deferred Inflows of Resources:</u>	
Pension Deferrals	<u>869</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1 812 759
Unrestricted	<u>959 589</u>
Total Net Position	<u>\$2 772 348</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Fund Water and Sewer</u>
Operating Revenues	
Charges for Services	\$ 685 240
Other Operating Revenues	<u>36 839</u>
Total Operating Revenues	<u>722 079</u>
Operating Expenses:	
Water and Sewer Operations	546 980
Depreciation	<u>142 005</u>
Total Operating Expenses	<u>688 985</u>
Operating Income (Loss)	<u>33 094</u>
Non-Operating Revenues (Expenses):	
Other	73
Interest Earned	18
Interest Expense on Debt	<u>(63 332)</u>
Total Nonoperating Revenues (Expenses)	<u>(63 241)</u>
Change in Net Position	(30 147)
Net Position - July 1	<u>2 802 495</u>
Net Position - June 30	<u>\$ 2 772 348</u>

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

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Fund Water and Sewer
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 718 116
Cash Paid for Services	(105 211)
Cash Paid to Employees	<u>(428 970)</u>
Net Cash Provided (Used) by Operating Activities	<u>183 935</u>
Cash Flows From Capital and Related Financing Activities:	
Interest and Principal Paid	(114 950)
Other	73
Acquisition of Capital Assets	<u>(122 385)</u>
Total Cash Flows From Capital and Related Financing Activities	<u>(237 262)</u>
Cash Flows for Investing Activities:	
Interest Earned	<u>18</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(53 309)
Cash and Cash Equivalents - Beginning of Year	<u>993 580</u>
Cash and Cash Equivalents - End of Year	<u>\$ 940 271</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 33 094
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	142 005
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(3 963)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	8 522
(Increase) Decrease in Deferred Outflows-Pensions	(1 701)
Increase (Decrease) in Deferred Inflows-Pensions	451
Increase (Decrease) in Compensated Absences	949
Increase (Decrease) in Net Pension Liability	<u>4 578</u>
Total Adjustments	<u>150 841</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 183 935</u>

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

TOWN OF RUTHERFORD COLLEGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

I. Summary of Significant Accounting Policies:

The accounting policies of Town of Rutherford College 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 Rutherford College is a municipal corporation which is Governed by an elected mayor and a six member board of alderman.

B. Basis of Presentation:

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental fund:

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

The primary expenditures are for general government, street maintenance and sanitation services.

The Town reports the following major enterprise fund:

Water and Sewer Fund. The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing good or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Water and Sewer Capital Projects, if any, are included in the Water and Sewer Capital Project Fund.

C. Measurement Focus, 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. Nonexchange 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 eligibility requirements have been satisfied.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

Budget - Budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for all capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for capital project funds. During the year several board approved amendments to the original budget were necessary.

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

1. Deposits:

All deposits of the Town are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

2. Cash and Cash Equivalents:

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

3. Ad Valorem Taxes Receivable:

In accordance with [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due on September 1; however, interest does not accrue until the following January 6. These taxes levied are based on the assessed values as of January 1, 2020.

4. Allowances for Doubtful Accounts:

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 000 and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Beginning July 1, 2003 general infrastructure costs are capitalized as incurred. The Town has set a threshold of \$10 000 for capitalizing infrastructure.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	40
Improvements	25
Furniture and equipment	5
Computer equipment	5
Distribution Systems	40-50

6. 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, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that met the criterion for this category - deferrals of pension expense that result from the implementation of GASB Statement 68. The funds statements also reports an additional deferred inflow-property taxes receivable.

7. 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 premium 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 premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. 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 services expenditures.

8. Compensated Absences

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

The Town's sick leave 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 the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

10. Uses of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Pensions

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

II. Detail Notes on All Funds:

A. Assets:

1. Deposits - All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with security held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits. At year-end the Town's deposits had a carrying amount of

\$1 966 294 and a bank balance of \$1 969 707. The entire bank balance was covered by federal depository insurance or other sufficient collateral under the pooling method.

2. Receivables - Allowances for Doubtful Accounts - The receivables shown in the Balance Sheet and Statement of Net Position are presented net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2021</u>
General Fund - Property Taxes	\$ 2 539
General Fund - Revolving Loans	13 717
Enterprise Fund - Utilities	<u>3 000</u>
Total	<u>\$ 19 256</u>

Receivables - Net of Allowances

Accounts receivable at June 30, 2021 was as follows at the government wide level:

<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ 1 100	\$ 81 265	\$3 088	\$ 69 547	<u>\$ 155 000</u>

3. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 91 642	\$	\$	\$ 91 642
Construction in Progress	<u>21 299</u>	<u>126 907</u>		<u>148 206</u>
Total Capital assets not being depreciated:	<u>\$ 112 941</u>	<u>\$ 126 907</u>	<u>\$</u>	<u>\$ 239 848</u>
Capital assets being depreciated:				
Infrastructure	95 382	11 950		107 332
Buildings	1 708 894			1 708 894
Equipment and Vehicles	<u>255 167</u>	<u>1 700</u>	<u>9 993</u>	<u>246 874</u>
Total capital assets being depreciated	<u>2 059 443</u>	<u>13 650</u>	<u>9 993</u>	<u>2 063 100</u>
Less accumulated depreciation for:				
Infrastructure	34 950	2 783		37 733
Buildings	592 926	41 635		634 561
Equipment and Vehicles	<u>199 806</u>	<u>16 685</u>	<u>9 993</u>	<u>206 498</u>
Total accumulated depreciation	<u>827 682</u>	<u>61 103</u>	<u>9 993</u>	<u>878 792</u>
Total capital assets being depreciated, net	<u>1 231 761</u>	<u>(47 453)</u>		<u>1 184 308</u>
Governmental activity capital assets, net	<u>\$1 344 702</u>	<u>\$ 79 454</u>	<u>\$</u>	<u>\$1 424 156</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 49 683
Environmental Protection	7 107
Transportation	2 783
Cultural and Recreation	1 530
Total	<u>\$ 61 103</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 1 699	\$	\$	\$ 1 699
Total Capital assets not being depreciated	<u>\$ 1 699</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1 699</u>
Capital assets being depreciated:				
Distribution Systems	5 586 406	122 385		5 708 791
Building	16 731			16 731
Equipment	<u>302 440</u>	<u></u>	<u></u>	<u>302</u>
440				
Total Capital assets being depreciated	<u>5 905 577</u>	<u>122 385</u>	<u></u>	<u>6 027 962</u>
Less accumulated depreciation for:				
Distribution Systems	2 467 464	131 141		2 598 605
Building	16 731			16 731
Equipment	<u>136 022</u>	<u>10 864</u>	<u></u>	<u>146 886</u>
Total accumulated Depreciation	<u>2 620 217</u>	<u>142 005</u>	<u></u>	<u>2 762 222</u>
Total capital assets being depreciated, net	<u>3 285 360</u>	<u>(19 620)</u>	<u></u>	<u>3 265 740</u>
Total capital Assets	<u>\$3 287 059</u>	<u>\$ (19 620)</u>	<u>\$</u>	<u>\$3 267 439</u>

B. Liabilities

1. Pension Plan Obligations:

a. Local Government Employee's Retirement System

Plan Description - The Town of Rutherford College is a participating employer in the statewide Local Governmental Employee's 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 Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (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' 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' Alternate Benefit for life or a return of the member's contributions.

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rutherford College 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 Rutherford College's contractually required contribution rate for the year ended June 30, 2021, was 10.15% for general employees, actuarially 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 Rutherford College were \$19 237 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 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.

b. 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 \$128 286 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 0.0036%, which was the same percentage as its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$22 190. At June 30, 2021, the town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16 200	\$
Changes of assumptions	9 547	
Net difference between projected and actual earnings on pension plan investments	18 053	
Changes in proportion and differences between Town contributions and proportionate share of contributions	462	5 796
Town contributions subsequent to the Measurement date	19 237	
Total	<u>\$ 63 499</u>	<u>\$ 5 796</u>

\$19,237 reported as deferred outflows of resources related to Pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset 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	\$ 10,061
2023	14,721
2024	8,342
2025	<u>5,343</u>
Total	<u>\$ 38,467</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	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$260 278	\$128 286	\$ 18 591

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

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following at the Government Wide Level.

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 19 237
Changes in proportion and differences between employer contributions and proportionate share of contributions	462
Differences between expected and actual experience	16 200
Net difference between projected and actual investment earnings	18 053
Changes in Assumptions	<u>9 547</u>
Total	<u>\$ 63 499</u>

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

	<u>Fund Statements</u>	<u>Government Wide</u>
Taxes Receivable, less penalties (General Fund)	\$ 3 088	\$
Differences between expected and actual experience		
Changes in proportion and differences between contributions and proportionate share of contributions		<u>5 796</u>
Total	<u>\$ 3 088</u>	<u>\$ 5 796</u>

2a. Payables

Payables and accrued liabilities at June 30, 2021 were as follows at the government-wide level:

<u>Vendors</u>	<u>Other</u>	<u>Total</u>
<u>\$ 127 458</u>	<u>\$ 25 411</u>	<u>\$152 869</u>

3. Long-Term Obligations

a. Installment Obligations

The Town entered into a \$995 000 direct placement installment purchase to finance the purchase of an administration building in May 2008. The building is pledged as collateral for the debt. The details of the arrangement is as follows:

<u>Description</u>	<u>Cost</u>	<u>Date</u>	<u>Term</u>	<u>Rate</u>	<u>Payment Amount</u>	<u>Balance June 30, 2021</u>
General Fund: Town Hall Building- USDA	\$ 995 000	05-08-08	40 yrs	4.38%	\$53 114 Annual	\$ 831 934

b. USDA Bonded Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer systems and which are being retired by its resources are reported as long-term debt in the Enterprise 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:

Serviced by Water and Sewer Fund:

\$1 161 000 direct placement sewer bonds issued on June 1, 2002 due in annual installments, interest at 4.75 percent, balance at June 30, 2021 \$826 500.

c. USDA Notes

USDA direct placement notes were issued to finance the construction of water facilities. The debt was issued 9-14-04 with annual payments of \$27 324 at an interest rate of 4.75%, balance at June 30, 2021 \$386 310.

In the event of default on USDA debt, the Town agrees to pay to USDA, on demand, interest on any amounts due under the related agreements.

d. Drinking Water Revolving Loans

- 1) A Drinking Water Revolving Loan was issued to finance the purchase of water meters. The debt was issued 12-31-10 with annual payments of \$3,879 at zero percent interest, balance at June 30, 2021 \$34 907.
- 2) A Drinking Water Revolving Loan was issued to assist in water system improvements. The debt was issued 7-27-17 with annual principal payments of \$14,130, and an interest rate of 1.84%. The balance at June 30, 2021 was \$206 963.

The following table summarizes the annual requirement to amortize all long-term obligations.

	<u>Enterprise General Obligation Bonds</u>		<u>Enterprise USDA Notes</u>		<u>Enterprise Drinking Water Revolving Loans</u>		<u>General Installment Obligation</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	28 000	39 259	8 974	18 350	16 053	3 808	16 713	36 401	69 740	97 818
2023	29 500	37 929	9 401	17 923	16 053	3 584	17 444	35 670	72 398	95 106
2024	31 000	36 527	9 847	17 477	16 053	3 360	18 207	34 907	75 107	92 271
2025	32 500	35 055	10 315	17 009	16 053	3 136	19 004	34 110	77 872	89 310
2026	34 000	33 511	10 805	16 519	16 053	2 912	19 835	33 279	80 693	86 221
2027 - 2031	195 500	141 811	62 228	74 392	76 382	11 200	112 981	152 589	447 091	379 992
2032 - 2036	236 000	90 963	78 482	58 141	60 870	5 600	139 958	125 612	515 310	280 316
2037 - 2041	240 000	34 200	98 975	37 645	24 353	672	173 376	92 194	536 704	164 711
2042 - 2046			97 283	11 807			214 774	50 796	312 057	62 603
2047 - 2051							99 642	6 586	99 642	6 586
Total	<u>\$ 826 500</u>	<u>\$ 449 225</u>	<u>\$ 386 310</u>	<u>\$ 269 263</u>	<u>\$ 241 870</u>	<u>\$ 34 272</u>	<u>\$ 831 934</u>	<u>\$ 602 144</u>	<u>\$ 2 286 614</u>	<u>\$ 1 354 934</u>

The legal debt margin of the Town at June 30, 2021 was \$8 919 653.

4. Changes in Long-Term Liabilities:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Direct Placement Installment Obligation	\$ 847 946	\$	\$ 16 012	\$ 831 934	\$ 16 713
Net Pension Liability (LGERS)	83 102	25 941		109 043	
Total Governmental Activities	\$ 931 048	\$ 25 941	\$ 16 012	\$ 940 977	\$ 16 713
Business activities:					
Direct Placement Revolving Loans	\$ 257 923	\$	\$ 16 053	\$ 241 870	\$ 16 053
Direct Placement USDA General Obligations Bonds	853 500		27 000	826 500	28 000
Direct Placement USDA Notes	394 875		8 565	386 310	8 974
Net Pension Liability (LGERS)	14 665	4 578		19 243	
Total Business Activities	\$ 1 520 963	\$ 4 578	\$ 51 618	\$ 1 473 923	\$ 53 027

5. Fund Balance

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

Total fund balance - General Fund	\$ 991 239
Less:	
Stabilization by State Statute	(70 647)
Appropriated Fund Balance in 2021-22 budget	(15 000)
Remaining Fund Balance	\$ 905 592

6. Risk Management - The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financial pools Administered by the North Carolina League of Municipalities. Through these pools, the Town has property coverage up to \$2 786 205, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of \$500 000 for property and \$300 000 up to statutory limit, for worker's compensation. The pools are insured for annual employee health claims in excess of \$150 000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance value. The Town carries commercial coverage for all other risk of loss. Claims have not exceeded coverage in any of the past three years. The Town does not carry flood insurance.

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

III. Jointly Governed Organization

Western Piedmont Council of Governments - Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The town paid fees of \$36 815 during fiscal year ended June 30, 2021.

IV. Subsequent Events:

On July 16, 2021, the Town of Rutherford College received \$207 791 in American Rescue Plan funds. These funds are to be expended by the year 2026.

Subsequent events have been evaluated through July 21, 2021, which is the date the financial statements were available to be issued.

V. Summary Disclosure of Significant Contingencies:

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

VI. Stewardship, Compliance and Accountability:

Excess Expenditures

For the year ended June 30, 2021 expenditures exceeded appropriations as follows:

General Fund:

Public Buildings	\$ 2 667
Environmental Protection	94
Cultural & Recreation	<u>31 006</u>
Subtotal	<u>33 767</u>

Enterprise Fund:

Capital Outlay	<u>2 385</u>
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Total	<u>\$ 36 152</u>
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These overexpenditures were approved subsequent to year end.

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rutherford College's proportion of the net pension liability (asset) (%)	.0036%	.0036%	.0031%	.0029%	.0028%	.0027%	.0020%	.0018%
Rutherford College's proportion of the net pension liability (asset) (\$)	\$ 128 286	\$ 97 767	\$ 72 356	\$ 44 762	\$ 59 850	\$ 12 028	\$ (11 854)	21 697
Rutherford College's covered-employee payroll	\$ 184 186	\$ 181 518	\$ 157 636	\$ 133 543	\$ 124 578	\$ 115 071	\$ 85 314	56 314
Rutherford College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.65%	53.86%	45.90%	33.52%	48.04%	10.45%)	(13.89)%	38.53%
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%	99.45%

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

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

This required supplementary information is intended to show information for ten years. Additional years information will be displayed as it becomes available.

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 19 237	\$ 16 485	\$ 14 068	\$ 11 823	\$ 9 682	\$ 8 309	\$ 8 132	\$ 6 032
Contributions in relation to the contractually required contribution	<u>19 237</u>	<u>16 485</u>	<u>14 068</u>	<u>11 823</u>	<u>9 682</u>	<u>8 309</u>	<u>8 132</u>	<u>6 032</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Rutherford College's covered-employee payroll	\$ 189 529	\$ 184 186	\$ 181 518	\$ 157 636	\$ 133 543	\$ 124 578	\$ 115 021	85 314
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

This required supplementary information is intended to show information for ten years. Additional years information will be displayed as it becomes available.

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES-BUDGET & ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			
	Budget	Actual	Variance Favorable (Unfavorable)	2020 Actual
Revenues:				
Ad Valorem Taxes:				
Current Year	\$159 000	\$165 330	\$ 6 330	\$ 160 897
Prior Year		3 754	3 754	1 860
Penalties and Interest	500	999	499	372
Total	159 500	170 083	10 583	163 129
Other Taxes and Licenses:				
1/2 Cent Sales Tax	165 000	191 391	26 391	164 236
1 Cent Sales Tax	116 250	143 278	27 028	116 443
Hold Harmless	93 750	101 690	7 940	90 591
Total	375 000	436 359	61 359	371 270
Unrestricted Intergovernmental Revenues:				
Sales Tax Refund	6 000	4 821	(1 179)	4 348
Utilities Sales Tax	100 000	128 027	28 027	128 929
Beer and Wine Taxes	6 000	5 856	(144)	6 026
Total	112 000	138 704	26 704	139 303
Restricted Intergovernmental Revenues:				
Powell Bill Allocation	47 000	43 342	(3 658)	46 201
Solid Waste Disposal Tax	1 000	1 042	42	1 064
Solid Waste and Recycling Fees	48 000	50 818	2 818	48 499
Grants	75 000	9 075	(65 925)	
Total	171 000	104 277	(66 723)	95 764
Sales and Services:				
Rentals	19 800	3 995	(15 805)	3 795
Façade Loans	10 800	6 850	(3 950)	12 270
Total	30 600	10 845	(19 755)	16 065
Investment Earnings:				
Interest Earned		239	239	3 031

	2021		
	Budget	Actual	Variance Favorable (Unfavorable)
			2020 Actual
Revenues: (continued)			
Other General Revenues:			
Miscellaneous	\$ 3 000	\$ 3 354	\$ 354
Total Revenues	851 100	863 861	12 761
Expenditures:			
General Government:			
Governing Body:			
Workshops & Seminars		3 301	2 257
Travel		7 171	7 288
Total Governing Body	12 000	10 472	1 528
Administration:			
Salaries & Wages		131 386	127 173
Payroll Taxes		13 623	11 045
Group Insurance		45 550	45 469
Retirement		14 672	12 531
Travel		3 618	1 038
Professional Fees		22 452	20 951
Contracted Services		15 288	12 567
Technical Assistance		37 718	24 262
Utilities		16 741	14 538
Telephone & Postage		12 956	10 731
Maintenance & Repairs		14 614	4 071
Supplies		38 838	35 076
Advertising		1 646	1 669
Insurance & Bonds		11 327	11 161
Dues & Subscriptions		5 683	5 856
Street Lights		13 853	14 934
Miscellaneous		28 373	6 504
Total Administration	495 050	428 338	66 712
Buildings and Grounds:			
Salaries		15 000	15 000
Maintenance & Repairs		18 923	3 300
Christmas Decorations		6 744	1 891
Capital Outlay			16 501
Total Public Buildings	38 000	40 667	(2 667)
Total General Government	545 050	479 477	65 573
Environmental Protection:			
Garbage Disposal	64 000	64 094	(94)

	2021		Variance Favorable (Unfavorable)	2020 Actual
	Budget	Actual		
Expenditures: (Continued)				
Economic and Physical Development:				
Burke Development	\$	\$ 6 163	\$	\$ 16 987
VEDIC Appropriation		2 500		2 500
Loans to Industry				15 000
WiFi		10 599		9 949
Burke Transit		5 000		5 000
Total Economic and Physical Development	95 300	24 262	71 038	49 436
Transportation:				
Streets:				
Street Maintenance & Paving		101 905		86 154
Capital Outlay		11 950		
Total Transportation	117 000	113 855	3 145	86 154
Cultural and Recreational:				
Rutherford College Town Day		239		2 627
Other		8 941		5 043
Parks		719		1 338
Capital Outlay		128 607		
Total Cultural and Recreational	107 500	138 506	(31 006)	9 008
Debt Service:				
Principal Paid	16 100	16 012		15 341
Interest Paid	37 200	37 102		37 773
Total Debt Service	53 300	53 114	186	53 114
Total Expenditures	982 150	873 308	108 842	666 704
Revenues Over (Under) Expenditures	(131 050)	(9 447)	121 603	126 614
Other Financing Sources (Uses):				
Appropriated Fund Balance	131 050		(131 050)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$	(9 447)	\$ (9 447)	126 614
Fund Balance Beginning of Year		1 000 686		874 072
Fund Balance End of Year		\$ 991 239		\$1 000 686

TOWN OF RUTHERFORD COLLEGE
ENTERPRISE FUND - WATER AND SEWER
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance	2020
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Operating Revenues:				
Charges for Services - Water and Sewer	\$ 660 000	\$ 685 240	\$ 25 240	\$ 680 338
Other Operating Revenues -				
Tap Fees	8 000	31 686	23 686	11 359
Penalties	10 000	5 153	(4 847)	10 441
Total Operating Revenues	678 000	722 079	44 079	702 138
Nonoperating Revenues:				
Interest Earned on Investments		18	18	18
Other	250	73	(177)	109
Total Nonoperating Revenues	250	91	(159)	127
Budgetary Appropriations:				
Appropriated Fund Balance	183 850		(183 850)	
Total Revenues	862 100	722 170	(139 930)	702 265
Expenditures:				
Operating Expenditures:				
Administration:				
Salaries and Benefits		105 212		105 711
Professional Fees		829		180
Total	109 900	106 041	3 859	105 891

	2021		Variance	2020
	Budget	Actual	Favorable (Unfavorable)	Actual
Supply and Treatment:				
Water Purchases		185 278		199 807
Sewer Treatment		154 852		155 898
Maintenance		61 527		90 486
Utilities		2 319		2 472
Telephone and Postage		4 167		6 475
Supplies		18 862		7 297
Testing		4 925		4 805
Miscellaneous		4 733		4 496
Total	516 500	436 663	79 837	471 736
Total Operating Expenditures	626 400	542 704	83 696	577 627
Budgetary Appropriations:				
Principal and Interest Paid	115 700	114 950	750	114 885
Capital Outlay	120 000	122 385	(2 385)	
Total Budgetary Appropriations	235 700	237 335	(1 635)	114 885
Total Expenditures	862 100	780 039	82 061	692 512
Revenues and Other Sources				
Over (Under) Expenditures and				
Other Uses	\$	\$ (57 869)	\$ (57 869)	\$ 9 753
RECONCILIATION OF MODIFIED ACCRUAL				
BASIS TO FULL ACCRUAL BASIS:				
REVENUES AND OTHER SOURCES OVER (Under)				
EXPENDITURES AND OTHER USES			\$ (57 869)	
Add:				
Increase in Deferred Outflows		1 701		
Capital Outlay		122 385		
Debt Principal Payment		51 618	175 704	
Less:				
Increase in Deferred Inflows		451		
Depreciation		142 005		
Increase in Net Pension Liability		4 578		
Increase in Vacation Pay		948	(147 982)	
Change in Net Position (Exhibit 7)			\$ (30 147)	

TOWN OF RUTHERFORD COLLEGE
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$	\$ 168 094	\$ 165 330	\$ 2 764
2019 - 2020	3 226		2 110	1 116
2018 - 2019	1 225		732	493
2017 - 2018	590		421	169
2016 - 2017	289		137	152
2015 - 2016	402		45	357
2014 - 2015	225		73	152
2013 - 2014	275		99	176
2012 - 2013	194		67	127
2011 - 2012	192		71	121
2010 - 2011	207		207	
Totals	<u>\$6 825</u>	<u>\$ 168 094</u>	<u>\$ 169 292</u>	\$ 5 627

Less Allowance for Uncollected Taxes				<u>2 539</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 3 088</u>

Reconciliation with Revenue:			
Ad Valorem Tax Revenue	\$ 170 084		
Less Penalties and Interest	<u>999</u>	\$ 169 085	
Add Write Off per Statute of Limitations		<u>207</u>	
Total Collections and Credits		<u>\$ 169 292</u>	

TOWN OF RUTHERFORD COLLEGE
ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Excluding Vehicles</u>	<u>Motor Vehicles</u>
Tax Levy	\$124 782 500	\$.12	\$149 739	\$ 149 739	\$
Vehicle Taxes	11 135 000	.12	13 362		13 362
Discoveries	4 274 167	.12	5 129	5 129	
Releases	<u>(113 333)</u>	.12	<u>(136)</u>	<u>(136)</u>	
Total for Year	<u>\$140 078 334</u>		168 094	154 732	13 362
Less Uncollected Taxes at June 30, 2021			<u>2 764</u>	<u>2 764</u>	
Current Year Taxes Collected			<u>\$165 330</u>	<u>\$ 151 968</u>	<u>\$ 13 362</u>
Percent of Current Year's Taxes Collected			<u>98.36%</u>	<u>98.21%</u>	<u>100.00%</u>

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF NET POSITION
WATER AND SEWER FUND BY FUNCTION
JUNE 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 538 218	\$ 402 053	\$ 940 271
Accounts Receivable	<u>42 258</u>	<u>39 007</u>	<u>81 265</u>
Total Current Assets	<u>580 476</u>	<u>441 060</u>	<u>1 021 536</u>
Non Current Assets:			
Capital Assets:			
Land and Construction in Progress		1 699	1 699
Other Capital Assets, Net of Depreciation	<u>1 283 393</u>	<u>1 982 347</u>	<u>3 265 740</u>
Total Non Current Assets	<u>1 283 393</u>	<u>1 984 046</u>	<u>3 267 439</u>
Total Assets	<u>\$ 1 863 869</u>	<u>\$ 2 425 106</u>	<u>\$ 4 288 975</u>
<u>Deferred Outflows of Resources:</u>			
Pension Deferrals	<u>4 953</u>	<u>4 572</u>	<u>9 525</u>
<u>Liabilities:</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 34 126	\$ 13 312	\$ 47 438
Revolving Loan-Current	16 053		16 053
USDA General Obligation Bonds Payable - Current		28 000	28 000
USDA Notes - Current	8 974		8 974
Compensated Absences	<u>2 039</u>	<u>1 883</u>	<u>3</u>
922 Total Current Liabilities	<u>61 192</u>	<u>43 195</u>	<u>104 387</u>
Non Current Liabilities:			
Revolving Loan-Non Current	225 817		225 817
USDA General Obligation Bonds Payable - Non current		798 500	798 500
USDA Notes - Non Current	377 336		377 336
Net Pension Liability	<u>10 006</u>	<u>9 237</u>	<u>19 243</u>
Total Non Current Liabilities	<u>613 159</u>	<u>807 737</u>	<u>1 420 896</u>
Total Liabilities	<u>674 351</u>	<u>850 932</u>	<u>1 525 283</u>
<u>Deferred Inflows of Resources:</u>			
Pension Deferrals	<u>452</u>	<u>417</u>	<u>869</u>
<u>Net Position</u>			
Net investment in Capital Assets	655 213	1 157 546	1 812 759
Unrestricted	<u>538 806</u>	<u>420 783</u>	<u>959 589</u>
Total Net Position	<u>\$ 1 194 019</u>	<u>\$ 1 578 329</u>	<u>\$ 2 772 348</u>

TOWN OF RUTHERFORD COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charge for Services	\$ 356 325	\$ 328 915	\$ 685 240
Water and Sewer Taps	<u>19 155</u>	<u>17 684</u>	<u>36 839</u>
Total Operating Revenues	<u>375 480</u>	<u>346 599</u>	<u>722 079</u>
Operating Expenses			
Administration	55 141	50 900	106 041
Water Treatment and Distribution	229 288		229 288
Waste Collection and Treatment		211 651	211 651
Depreciation	<u>28 401</u>	<u>113 604</u>	<u>142</u>
005 Total Operating Expenses	<u>312 830</u>	<u>376 155</u>	<u>688</u>
	<u>985</u>		
Operating Income (Loss)	<u>62 650</u>	<u>(29 556)</u>	<u>33 094</u>
Nonoperating Revenues (Expenses)			
Interest Expense and Other Income	<u>(22 700)</u>	<u>(40 541)</u>	<u>(63 241)</u>
Change in Net Position	39 950	(70 097)	(30 147)
Total Net Position -			
Beginning of Year	<u>1 154 069</u>	<u>1 648 426</u>	<u>2 802 495</u>
Total Net Position -			
End of Year	<u>\$ 1 194 019</u>	<u>\$ 1 578 329</u>	<u>\$ 2 772 348</u>

TOWN OF RUTHERFORD COLLEGE
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 373 420	\$ 344 696	\$ 718 116
Cash Paid for Goods and Services	(54 710)	(50 501)	(105 211)
Cash Paid To or On Behalf of Employees for Services	(223 064)	(205 906)	(428 970)
Net Cash Provided (Used) by Operating Activities	<u>95 646</u>	<u>88 289</u>	<u>183 935</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Bond Maturities and Revolving Loans	(24 618)	(27 000)	(51 618)
Interest Paid on Bond Maturities and Revolving Loans	(22 791)	(40 541)	(63 332)
Other	73		73
Acquisition of Capital Assets	(103 985)	(18 400)	(122 385)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(151 321)</u>	<u>(85 941)</u>	<u>(237 262)</u>
Cash flows for Investing Activities:			
Interest Earned	<u>18</u>		<u>18</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(55 657)	2 348	(53 309)
Balances - Beginning	<u>593 875</u>	<u>399 705</u>	<u>993 580</u>
Balances - Ending	<u>\$ 538 218</u>	<u>\$ 402 053</u>	<u>\$ 940 271</u>

TOWN OF RUTHERFORD COLLEGE
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 62 650	\$ (29 556)	\$ 33 094
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	28 401	113 604	142 005
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(2 061)	(1 902)	(3 963)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	4 431	4 091	8 522
(Increase) Decrease in Deferred Outflows-Pensions	(885)	(816)	(1 701)
Increase (Decrease) in Deferred Inflows-Pensions	235	216	451
Increase (Decrease) in Compensated Absences	494	455	949
Increase (Decrease) in Net Pension Liability	2 381	2 197	4 578
Total Adjustments	32 996	117 845	150 841
Net Cash Provided by Operating Activities	\$ 95 646	\$ 88 289	\$ 183 935