

TOWN OF SAWMILLS, NORTH CAROLINA

Financial Statements, Management's Discussion and Analysis,
Supplemental Schedules, and Independent Auditors' Report
For the Year Ended June 30, 2021

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

TOWN OF SAWMILLS, NORTH CAROLINA

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Independent Auditors' Report

To the Honorable Mayor and the
Members of the Town Council of
the Town of Sawmills
Sawmills, North Carolina

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 from material misstatement.

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sawmills, 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 the Management's Discussion and Analysis and the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 3–11, and 43–44, 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 Sawmills, North Carolina's basic financial statements. The individual fund financial statements, the budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Morganton, North Carolina
October 12, 2021

Management's Discussion and Analysis

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

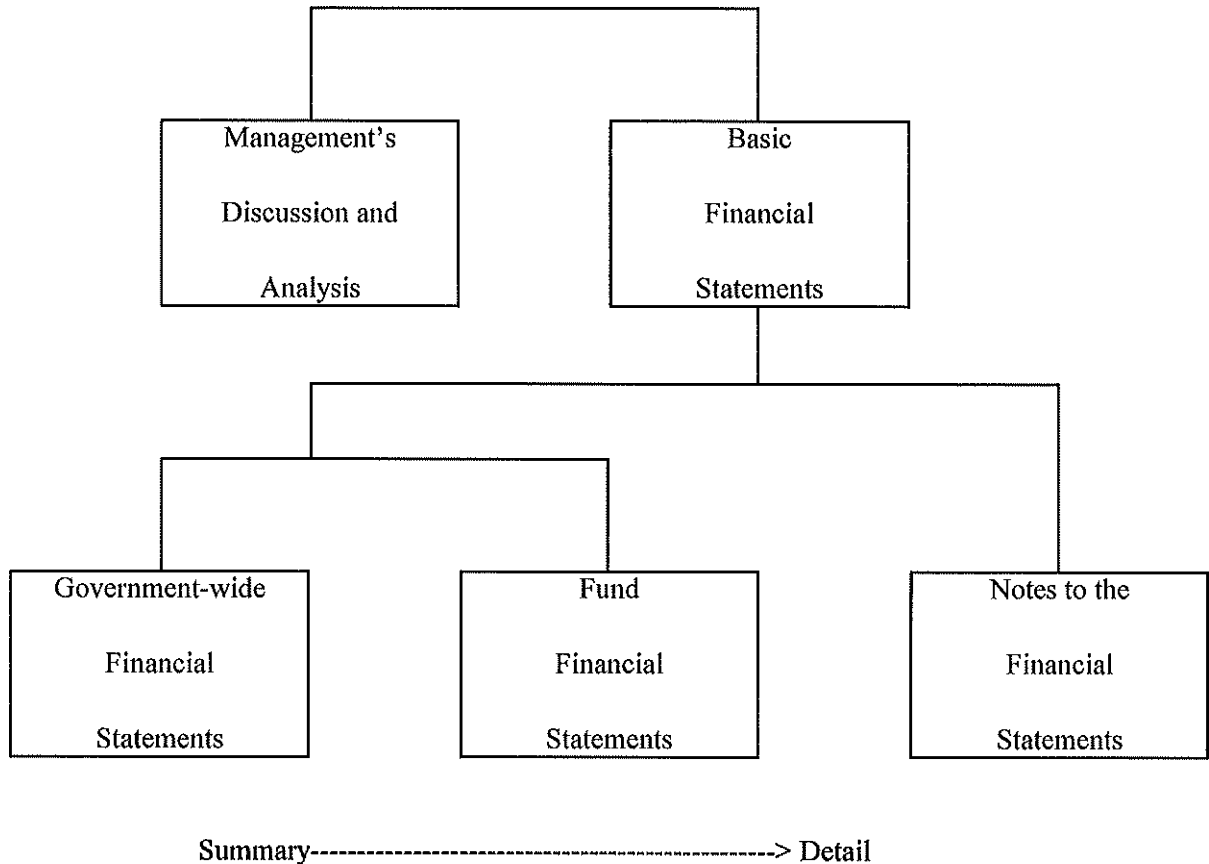
Financial Highlights

- The Town of Sawmills' assets exceeded its liabilities at the close of the fiscal year by \$18,991,250 (net position).
- The government's total net position increased by \$649,855.
- As of the close of the current fiscal year, the Town of Sawmills' governmental funds reported an ending fund balance of \$6,950,547, an increase of \$507,200 in comparison with the prior year. Approximately 87 percent of this total amount, or \$6,029,924, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,029,924, or 250.94 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as planning and community development, parks and recreation, and general administration. Property taxes, State sales tax, and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town of Sawmills' most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sawmills, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Sawmills can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds - The Town of Sawmills has the following type of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Sawmills uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 government and other holders of publicly held U.S. Treasury Securities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 10 of this report.

Government-Wide Financial Analysis

Town of Sawmills' Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 7,415,678	\$7,084,229	\$ 5,075,104	\$ 4,866,205	\$12,490,782	\$11,950,433
Capital assets	2,809,960	2,379,008	5,483,036	5,514,260	8,292,997	7,893,269
Deferred outflows of resources	107,607	88,586	35,870	29,529	143,477	118,115
Total assets and deferred outflows	<u>\$10,333,245</u>	<u>\$9,551,823</u>	<u>\$10,594,010</u>	<u>\$10,409,995</u>	<u>\$20,927,256</u>	<u>\$19,961,818</u>
Liabilities:						
Long-term liabilities outstanding	\$ 222,440	\$ 169,682	\$ 448,230	\$ 514,743	\$ 670,670	\$ 684,425
Other liabilities	51,455	73,044	151,667	212,455	203,122	285,499
Deferred inflows of resources	331	483	111	161	442	644
Total liabilities and deferred inflows	<u>\$ 274,226</u>	<u>\$ 243,209</u>	<u>\$ 600,008</u>	<u>\$ 727,359</u>	<u>\$ 874,234</u>	<u>\$ 970,568</u>
Net position:						
Net investment in capital assets	\$ 2,809,960	\$2,379,008	\$ 5,106,930	\$ 5,055,453	\$ 7,916,890	\$ 7,434,461
Restricted	688,139	546,623	-	-	688,139	546,623
Unrestricted	6,560,920	6,382,983	4,938,529	4,627,183	11,499,449	11,010,166
Total net position	<u>\$10,059,019</u>	<u>\$9,308,614</u>	<u>\$10,045,459</u>	<u>\$ 9,682,636</u>	<u>\$20,104,478</u>	<u>\$18,991,250</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Sawmills exceeded liabilities by \$20,104,478 as of June 30, 2021. The Town's net position increased by \$1,113,228 for the fiscal year ended June 30, 2021. A large portion of net position (39%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Sawmills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,499,449 is unrestricted.

Town of Sawmills
Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 281,124	\$ 218,604	\$ 1,146,225	\$ 983,754	\$ 1,427,349	\$ 1,202,358
Operating grants and contributions	171,218	144,539	-	-	171,218	144,539
Capital grants and contributions	-	-	21,998	-	21,998	-
General revenues:						
Property taxes	526,535	526,101	-	-	526,535	526,101
Other taxes	1,449,508	1,265,388	-	-	1,449,508	1,265,388
Grants and contributions not restricted to specific programs	175,822	177,674	-	-	175,822	177,674
Other	<u>22,019</u>	<u>133,397</u>	<u>31,137</u>	<u>31,043</u>	<u>53,153</u>	<u>164,440</u>
Total revenues	<u>2,626,226</u>	<u>2,465,703</u>	<u>1,199,360</u>	<u>1,014,797</u>	<u>3,825,586</u>	<u>3,480,500</u>
Expenses:						
General government	718,340	740,621	-	-	718,340	740,621
Transportation	361,652	397,255	-	-	361,652	397,255
Environmental protection	312,114	309,827	-	-	312,114	309,827
Economic development	123,615	83,357	-	-	123,615	83,357
Culture and recreation	360,100	329,370	-	-	360,100	329,370
Water and sewer	<u>-</u>	<u>-</u>	<u>836,536</u>	<u>970,216</u>	<u>836,536</u>	<u>970,216</u>
Total expenses	<u>1,875,821</u>	<u>1,860,430</u>	<u>836,536</u>	<u>970,216</u>	<u>2,712,357</u>	<u>2,830,646</u>
 Increase in net position before transfers	 750,405	 605,273	 362,823	 44,582	 1,113,228	 649,855
Transfers	<u>-</u>	<u>(420,000)</u>	<u>-</u>	<u>420,000</u>	<u>-</u>	<u>-</u>
Increase in net position	750,405	185,273	362,823	464,582	1,113,228	649,855
 Net position - July 1	 <u>9,308,614</u>	 <u>9,123,341</u>	 <u>9,682,636</u>	 <u>9,218,054</u>	 <u>18,991,250</u>	 <u>18,341,395</u>
 Net position - June 30	 <u>\$10,059,019</u>	 <u>\$9,308,614</u>	 <u>\$10,045,459</u>	 <u>\$9,682,636</u>	 <u>\$20,104,478</u>	 <u>\$18,991,250</u>

Governmental Activities - Governmental activities increased the Town of Sawmills' net position by \$750,405. Key elements of this increase are as follows:

- The Town ended the year 11% under budget for the General Fund expenditures.
- Slight increase in property tax dollars and sales tax revenue.

Business-type Activities - Business-type activities increased the Town of Sawmills' net position by \$362,823.

Financial Analysis of the Town of Sawmills' Funds

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

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

The General Fund is the chief operating fund of the Town of Sawmills. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,239,639, while total fund balance reached \$6,927,778. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 280 percent of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town reported a fund balance of \$7,308,501, a 5 percent increase from last year.

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

Proprietary Funds - The Town of Sawmills' 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 \$938,529. The total growth in net position for the Water and Sewer Fund was \$362,823. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Sawmills' business-type activities.

Capital Asset and Debt Administration

Capital Assets - The Town of Sawmills' investment in capital assets for its governmental and business-type activities, as of June 30, 2021, totals \$8,292,997 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

General Fund:

- Land adjacent to Baird Municipal Park for future development

Utility Fund:

- Service truck in the Water Department

Town of Sawmills' Capital Assets						
Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 850,239	\$ 225,239	\$ 5,436	\$ 5,436	\$ 855,675	\$ 230,675
Construction in process	-	-	-	887,977	-	887,977
Buildings	609,211	609,211	-	-	609,211	609,211
Improvements (other than buildings)	537,535	537,535	-	-	537,535	537,535
Machinery and equipment	491,595	408,130	1,186,484	191,753	1,678,079	599,883
Vehicles	615,349	615,349	134,206	100,169	749,555	715,518
Water distribution system	-	-	2,699,811	2,699,811	2,699,811	2,699,811
Sewer lines	-	-	4,430,369	4,430,369	4,430,369	4,430,369
Parks	3,065,896	3,065,896	-	-	3,065,896	3,065,896
Office equipment	47,650	47,650	-	-	47,650	47,650
Total	6,217,475	5,509,010	8,456,306	8,315,515	14,673,781	13,824,525
Accumulated depreciation	(3,407,515)	(3,130,002)	(2,973,270)	(2,801,255)	(6,380,785)	(5,931,257)
Capital assets, net	<u>\$2,809,960</u>	<u>\$2,379,008</u>	<u>\$5,483,036</u>	<u>\$5,514,260</u>	<u>\$8,292,997</u>	<u>\$7,893,268</u>

Additional information on the Town's capital assets can be found in Note III of this report.

Long-Term Debt - As of June 30, 2021, the Town of Sawmills had no bonded debt outstanding. The Town's debt of \$376,106 represents a loan for water line construction and a water meter replacement project. The Town's total debt decreased by \$82,701 during the past year.

Town of Sawmills' Outstanding Debt
Outstanding Liabilities

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement notes payable	\$ -	\$ -	\$376,106	\$458,807	\$376,106	\$458,807
Compensated absences	39,391	32,658	11,108	10,261	50,499	42,919
Pension related debt (LGERS)	183,049	137,024	61,016	45,675	244,065	182,699
Total	<u>\$222,440</u>	<u>\$169,682</u>	<u>\$448,230</u>	<u>\$514,743</u>	<u>\$670,670</u>	<u>\$684,425</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Sawmills is \$20,918,454. The Town of Sawmills has no bonds authorized, but un-issued, as of June 30, 2021.

Additional information regarding the Town of Sawmills' long-term debt can be found in Note III of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The Town of Sawmills' overall budget for FY 2021-2022 totals \$4,319,314, reflecting an overall increase of \$1,388,545, or 47.38% from the previous FY. The vast majority of this increase can be attributed to the Town resuming capital projects and purchases. Additionally, we have removed restrictions that cut the 2020-21 FY budget by over 25% as we prepared for the uncertainty that COVID-19 offered.

The proposed budget includes:

- No tax increases.
- 2.5% increase in Water/Sewer rates per FY 19-20 NCRWA Rate Study.
- No increase in sanitation fees.
- Fund balance appropriations for capital projects; Veteran's Park parking lot and Helton Road project.
- Maintains current levels of services to citizens.

Below is a brief budgetary summary of the various funds for the Town:

General Fund:

The proposed ad valorem tax rate for FY 2021-2022 is to remain at \$.20 cents per \$100 valuation with a budgeted collection rate of 98.17%. Each penny of the Town's property tax rate generates approximately \$26,251 on 100% collection, with a revenue neutral tax rate of \$0.20 cents per \$100 total valuation.

The General Fund currently remains debt free. The Town of Sawmills attempts to pay for capital outlay items from actual revenue sources, and/or reserves, rather than issuing bonds or borrowing funds and paying interest on debt. The Town will not need an appropriation of the General Fund unrestricted reserves in order to balance the budget.

Anticipated State collected local revenues have been calculated utilizing data supplied by the North Carolina League of Municipalities and local economic data, along with trends seen among other cities and counties around the region, as we attempt to best prepare for the uncertainty ahead.

Some highlights in the General Fund Departmental Budgets include:

- maintaining employee benefits at current levels
- implemented in-house salary study to ensure Town wages remain competitive
- continued annual participation in the Caldwell County Sales Tax Reinvestment Program in the amount of \$194,000

General Fund revenues and expenditures are balanced at \$2,836,183. This amount represents an increase of \$946,345, or 50.08%, from the previous 2020-2021 Fiscal Year Budget. The vast majority of this increase can be attributed to the parking lot for the Duke Power project at Veteran's Park and additional utility projects slated for the 2021-22 FY. Additionally, the 2020-21 FY budget reflected an over 25% reduction related to COVID-19 and the uncertainties associated with the virus. In other words, the actual increase is just slightly above the most previous, "Pre-COVID" fiscal years.

Enterprise Fund:

Due to the increased cost of service and the desire to maintain our infrastructure, the Town Council and staff annually review water and sewer rates. To ensure these reviews are unbiased and impartial, it is a good practice to conduct a water and sewer rate study every 5-7 years. In February of 2019, the N. C. Rural Water Association conducted a water and sewer rate study for the Town and the 20/21 FY recommended rate increase will be the first year of implementation of this study. This recommendation balances both the need to continue providing the highest quality of service possible, with the desire to provide the most economical cost to our customers.

In light of the need to maintain Enterprise Fund reserves to address anticipated system improvements, maintain solvency, and meet unanticipated emergencies, both the staff and the Town Council are urged to maintain adequate financial planning for the future. Therefore, it is recommended that the Town continue to follow the recommended 5-year plan set forth by the N. C. Rural Water Association in the 2019 rate study for the Town of Sawmills.

The NCRWA also highly recommended that the Town revise the current water rate structure. Representatives conducting the water rate study believed that it would be extremely difficult for the Town to secure grant funding in the future with the current format. This is an issue that will be addressed by the staff during the 21/22 FY and a recommendation made to Council that could ultimately impact the rate structure for the 22/23 FY. This was initially slated for the 20/21 FY, however, because of staff constraints directly related to the COVID pandemic, it has been pushed to the 21/22 FY.

Revenues for the Enterprise Fund for FY 2021-2022 are approximately \$1,483,131, reflecting an increase of \$425,200, or 40.19%, from the 2020-2021 FY. Much of this increase is attributed directly to the nearly 26% decrease in the 2020-2021 FY relating to the uncertainties of the COVID-10 pandemic.

Water Rates:

Water Base Rate: \$21.65

\$21.65 min charge per month up to 2,000 gal

\$6.30 per 1,000 gal from 1,000 - 10,000 gal

\$7.36 per 1,000 gal from 10,001 - 20,000 gal

\$4.73 per 1,000 gal from 20,001 - 30,000 gal

\$3.68 per 1,000 gals after 30,000 gal

Sewer Rates:

Sewer Base Rate: \$29.55

\$29.55 min charge per month up to 2,000 gals

\$7.98 per additional 1,000 gals

Requests for Information

This report is designed to provide an overview of the Town of Sawmills' 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 following:

Town Manager
Town of Sawmills
Highway 321-A
Sawmills, N. C. 28630
(828) 396-7903
townofsawmills.com

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 1

Statement of Net Position June 30, 2021

	Governmental Activities	Business- type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 6,665,094	\$ 4,722,320	\$ 11,387,414
Restricted cash and cash equivalents	462,265	92,050	554,315
Taxes receivable, net	55,722	-	55,722
Accounts receivable, water (net)	-	123,768	123,768
Accounts receivable, other (net)	37,327	-	37,327
Due from other governmental agencies	195,271	3,894	199,165
Inventories	-	133,071	133,071
Total current assets	<u>7,415,678</u>	<u>5,075,104</u>	<u>12,490,782</u>
Noncurrent assets:			
Capital assets:			
Land, non-depreciable assets and construction in progress	850,239	5,436	855,675
Other capital assets, net of depreciation	1,959,721	5,477,600	7,437,321
Total capital assets	<u>2,809,960</u>	<u>5,483,036</u>	<u>8,292,997</u>
Total noncurrent assets	<u>2,809,960</u>	<u>5,483,036</u>	<u>8,292,997</u>
Total assets	<u>\$ 10,225,638</u>	<u>\$ 10,558,141</u>	<u>\$ 20,783,780</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources-pension	<u>\$ 107,607</u>	<u>\$ 35,870</u>	<u>\$ 143,477</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	51,455	8,162	59,617
Utility deposits	-	92,050	92,050
Long-term liabilities:			
Due within one year	-	83,767	83,767
Due in more than one year	222,440	364,463	586,903
Total liabilities	<u>273,895</u>	<u>548,442</u>	<u>822,337</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	<u>331</u>	<u>111</u>	<u>442</u>
<u>Net Position</u>			
Net investment in capital assets	2,809,960	5,106,930	7,916,890
Restricted for stabilization by state statute	225,874	-	225,874
Restricted for streets	462,265	-	462,265
Unrestricted	<u>6,560,920</u>	<u>4,938,529</u>	<u>11,499,449</u>
Total net position	<u>\$ 10,059,019</u>	<u>\$ 10,045,459</u>	<u>\$ 20,104,478</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 718,340	\$ -	\$ 33,988	\$ -	\$ (684,352)	\$ -	\$ (684,352)
Transportation	361,652	-	137,230	-	(224,422)	-	(224,422)
Environmental protection	312,114	280,109	-	-	(32,005)	-	(32,005)
Cultural and recreational	360,100	-	-	-	(360,100)	-	(360,100)
Economic and physical development	123,615	1,015	-	-	(122,600)	-	(122,600)
Total governmental activities	<u>1,875,821</u>	<u>281,124</u>	<u>171,218</u>	<u>-</u>	<u>(1,423,479)</u>	<u>-</u>	<u>(1,423,479)</u>
Business-type activities:							
Water and sewer	836,536	1,146,225	-	21,998	-	331,687	331,687
Total business-type activities	<u>836,536</u>	<u>1,146,225</u>	<u>-</u>	<u>21,998</u>	<u>-</u>	<u>331,687</u>	<u>331,687</u>
Total	<u>\$ 2,712,357</u>	<u>\$ 1,427,349</u>	<u>\$ 171,218</u>	<u>\$ 21,998</u>	<u>(1,423,479)</u>	<u>331,687</u>	<u>(1,091,792)</u>
General revenues:							
Ad valorem taxes					526,535	-	526,535
Local option sales tax					1,449,508	-	1,449,508
Unrestricted intergovernmental revenues					175,822	-	175,822
Unrestricted investment earnings					2,969	2,019	4,988
Miscellaneous					19,050	29,118	48,168
Total general revenues and transfers					<u>2,173,884</u>	<u>31,137</u>	<u>2,205,021</u>
Change in net position					<u>750,405</u>	<u>362,823</u>	<u>1,113,228</u>
Net position, beginning					<u>9,308,614</u>	<u>9,682,636</u>	<u>18,991,250</u>
Net position - ending					<u>\$ 10,059,019</u>	<u>\$ 10,045,459</u>	<u>\$ 20,104,478</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2021**

	<u>Major Fund</u>	<u>Non-Major Funds</u>		
	<u>General Fund</u>	<u>Covid Cares Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 6,291,094	\$ -	\$ 374,000	\$ 6,665,094
Restricted cash	462,265	-	-	462,265
Taxes receivable, net	55,722	-	-	55,722
Accounts receivable, other	37,327	-	-	37,327
Due from other governmental agencies	188,548	6,723	-	195,271
	<u>7,034,955</u>	<u>6,723</u>	<u>374,000</u>	<u>7,415,678</u>
Total assets	<u>\$ 7,034,955</u>	<u>\$ 6,723</u>	<u>\$ 374,000</u>	<u>\$ 7,415,678</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 51,455	\$ -	\$ -	\$ 51,455
	<u>51,455</u>	<u>-</u>	<u>-</u>	<u>51,455</u>
Total liabilities	<u>51,455</u>	<u>-</u>	<u>-</u>	<u>51,455</u>
Deferred inflows of resources:				
Property taxes receivable	55,722	-	-	55,722
Total deferred inflows of resources	<u>55,722</u>	<u>-</u>	<u>-</u>	<u>55,722</u>
Fund balances:				
Restricted:				
Stabilization by state statute	225,874	-	-	225,874
Streets	462,265	-	-	462,265
Assigned:				
Environmental protection	-	-	374,000	374,000
Unassigned	6,239,639	6,723	-	6,246,362
	<u>6,927,778</u>	<u>6,723</u>	<u>374,000</u>	<u>7,308,501</u>
Total fund balances	<u>6,927,778</u>	<u>6,723</u>	<u>374,000</u>	<u>7,308,501</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,034,955</u>	<u>\$ 6,723</u>	<u>\$ 374,000</u>	<u>\$ 7,415,678</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 4****Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2021**

Total governmental fund balances	\$ 7,308,501
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension liability	(183,049)
Deferred outflows of resources related to the pensions are not reported in the funds	107,607
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,809,960
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore are not reported in the funds	(39,391)
Deferred inflows of resources related to the pensions are not reported in the funds	(331)
Liabilities for earned revenues considered deferred inflows of resources in fund statements	<u>55,722</u>
Net position of governmental activities	<u><u>\$ 10,059,019</u></u>

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

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 5****Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021**

	<u>Major Fund</u>	<u>Non-Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Covid Cares Fund</u>	<u>Capital Project Fund</u>	
Revenues:				
Ad valorem taxes	\$ 521,619	\$ -	\$ -	\$ 521,619
Local option sales taxes	1,449,508	-	-	1,449,508
Unrestricted intergovernmental revenues	175,822	-	-	175,822
Restricted intergovernmental revenues	137,230	33,988	-	171,218
Permits and fees	1,015	-	-	1,015
Sales and services	280,109	-	-	280,109
Investment earnings	2,969	-	-	2,969
Miscellaneous	19,050	-	-	19,050
Total revenues	<u>2,587,322</u>	<u>33,988</u>	<u>-</u>	<u>2,621,310</u>
Expenditures:				
Current:				
General government	661,276	218	-	661,494
Transportation	338,621	-	-	338,621
Environmental protection	312,114	-	-	312,114
Cultural and recreational	175,305	-	-	175,305
Economic and physical development	109,731	-	-	109,731
Capital outlay	635,300	30,791	-	666,091
Total expenditures	<u>2,232,347</u>	<u>31,009</u>	<u>-</u>	<u>2,263,356</u>
Revenues over (under) expenditures	<u>354,975</u>	<u>2,979</u>	<u>-</u>	<u>357,954</u>
Net change in fund balances	354,975	2,979	-	357,954
Fund balances, beginning of year	<u>6,572,803</u>	<u>3,744</u>	<u>374,000</u>	<u>6,950,547</u>
Fund balances, end of year	<u>\$ 6,927,778</u>	<u>\$ 6,723</u>	<u>\$ 374,000</u>	<u>\$ 7,308,501</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ 357,954
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 assets exceeded depreciation in the current period.	430,952
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	51,705
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	(4,916)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(78,557)
Compensated absences	<u>(6,733)</u>
Total changes in net position of governmental activities	<u>\$ 750,405</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 7

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 476,450	\$ 476,450	\$ 521,619	\$ 45,169
Local option sales taxes	884,000	884,000	1,449,508	565,508
Unrestricted intergovernmental revenues	187,858	187,858	175,822	(12,036)
Restricted intergovernmental revenues	130,000	130,000	137,230	7,230
Permits and fees	500	500	1,015	515
Sales and services	203,000	203,000	280,109	77,109
Investment earnings	-	-	2,969	2,969
Miscellaneous	8,030	8,030	19,050	11,020
Total revenues	<u>1,889,838</u>	<u>1,889,838</u>	<u>2,587,322</u>	<u>697,484</u>
Expenditures:				
Current:				
General government	800,938	1,425,938	1,286,276	139,662
Transportation	423,900	423,900	338,621	85,279
Environmental protection	325,500	325,500	312,114	13,386
Cultural and recreational	194,950	194,950	185,605	9,345
Economic and physical development	144,550	144,550	109,731	34,819
Total expenditures	<u>1,889,838</u>	<u>2,514,838</u>	<u>2,232,347</u>	<u>282,491</u>
Revenues over (under) expenditures	<u>-</u>	<u>(625,000)</u>	<u>354,975</u>	<u>979,975</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>-</u>	<u>625,000</u>	<u>-</u>	<u>(625,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>625,000</u>	<u>-</u>	<u>(625,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>354,975</u>	<u>\$ 354,975</u>
Fund balances, beginning of year			<u>6,572,803</u>	
Fund balances, end of year			<u>\$ 6,927,778</u>	

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

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 8****Statement of Net Position
Proprietary Fund
June 30, 2021**

	<u>Enterprise Fund</u>
	<u>Water and</u>
	<u>Sewer Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 4,722,320
Accounts receivable - water, net	123,768
Due from other governments	3,894
Restricted cash and cash equivalents	92,050
Inventories	133,071
Total current assets	<u>5,075,103</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	5,436
Other capital assets, net of depreciation	<u>5,477,600</u>
Capital assets (net)	<u>5,483,036</u>
Total noncurrent assets	<u>5,483,036</u>
Total assets	<u>\$ 10,558,141</u>
Deferred outflows of resources	<u>\$ 35,870</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	8,162
Current portion of long-term obligations	83,767
Liabilities payable out of restricted assets:	
Utility deposits	<u>92,050</u>
Total current liabilities	<u>183,979</u>
Noncurrent liabilities:	
Compensated absences payable	11,108
Net pension liability	61,016
General obligation notes payable - noncurrent	<u>292,339</u>
Total noncurrent liabilities	<u>364,462</u>
Total liabilities	<u>548,441</u>
Deferred inflows of resources	
Pension deferrals	<u>111</u>
Net position:	
Net investment in capital assets	5,106,930
Unrestricted	<u>4,938,529</u>
Total net position	<u>\$ 10,045,459</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 9****Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 1,047,584
Taps and connections	10,000
Other operating revenues	88,641
Total operating revenues	<u>1,146,225</u>
Operating Expenses:	
Water distribution	469,660
Sewer collection	194,861
Depreciation	172,015
Total operating expenses	<u>836,536</u>
Operating income (loss)	<u>309,688</u>
Nonoperating Revenues (Expenses):	
Interest on investments	2,019
Other	29,118
Total nonoperating revenues (expenses)	<u>31,137</u>
Change in net position before transfers	340,825
Capital contributions	<u>21,998</u>
Changes in net position	362,823
Net position, beginning of year	<u>9,682,636</u>
Net position - end of year	<u>\$ 10,045,459</u>

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

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 10
Page 1 of 2****Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u> <u>Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,140,804
Cash paid for goods and services	(710,402)
Cash paid to employees for services	(70,075)
Customer deposits received	<u>14,286</u>
Net cash provided (used) by operating activities	<u>374,613</u>
Cash Flows From Capital Related Financing Activities:	
Acquisition and construction of capital assets	(118,793)
Principal paid on general obligation notes payable	(82,701)
Other	<u>29,118</u>
Net cash provided (used) by capital and related financing activities	<u>(172,376)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>2,019</u>
Net increase (decrease) in cash and cash equivalents	204,256
Cash and cash equivalents - beginning of year	<u>4,610,114</u>
Cash and cash equivalents - end of year	<u><u>\$ 4,814,370</u></u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 10, cont.****Page 2 of 2****Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u> <u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>\$ 309,688</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	172,015
Change in assets and liabilities:	
(Increase) decrease in receivables	45,625
Increase (decrease) in inventory	(50,268)
(Increase) decrease in deferred outflows of resources - pensions	(6,341)
Increase (decrease) in deferred inflows of resources - pensions	(50)
Increase (decrease) in net pension liability	15,341
Increase (decrease) in accounts payable and accrued expenses	(126,530)
Increase (decrease) in customer deposits	14,286
Increase (decrease) in compensated absences payable	<u>847</u>
Total adjustments	<u>64,925</u>
Net cash provided (used) by operating activities	<u><u>\$ 374,613</u></u>

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Sawmills 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 Sawmills is a municipal corporation which is governed by an elected mayor and a five member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are generally 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 expense and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include: (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for street maintenance and construction, sanitation services, and general governmental services.

The Town reports the following non-major governmental funds:

Capital Project Fund - This fund is used to account for capital project funds set aside by the Town.

COVID Cares Fund - This fund is used to account for Federal grant income and expenditures relating to the COVID-19 pandemic.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

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

Restricted Cash

Powell Bill Funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 164-41.4.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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 was written off in prior years.

Inventory and Prepaid Items

The inventories of the Town are maintained for all enterprise fund (Water and Sewer Fund) supplies. They are valued at the lower of cost (first-in, first-out) or market. The cost of these inventories is expensed when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and are expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000. 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. General infrastructure assets acquired after July 1, 2003 consist of the road network and water and sewer system assets and are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the assets, or materially extend assets' lives, are not capitalized.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

	<u>Years</u>
General governmental infrastructure - roads	45
Water and sewer infrastructure	30-45
Buildings	45
Furniture and office equipment	7
Equipment and vehicles	5-7
Computers/software	3

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 two items that meet the criterion for this category - property taxes receivable and pension deferrals.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

The Town's long-term debt for water and sewer system improvements is carried within the Enterprise Fund. The debt service requirements for that debt are being met by service revenues, but the taxing power of the Town is pledged to make these payments if water and sewer revenues should ever be insufficient.

Compensated Absences

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute - the portion of the fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Committed Fund Balance - the portion of the fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Sawmills' 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 - the portion of the fund balance that Town of Sawmills intends to use for specific purposes.

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

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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

Defined Benefit Cost-Sharing Plan

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

F. Use of Estimates

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

II. Stewardship, Compliance and Accountability

None.

III. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. 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 its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$11,867,740 and a bank balance of \$11,716,524. Of the bank balance, \$500,000 was covered by federal depository insurance and \$11,216,524 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2021, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
N. C. Capital Management Trust - Cash Portfolio	Fair Value Level 1	<u>\$73,989</u>	N/A	AAAm
Total		<u>\$73,989</u>		

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit 1 at June 30, 2021 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 37,237	\$61,957	\$195,271	\$294,465
Allowance for doubtful accounts	<u>-</u>	<u>(6,235)</u>	<u>-</u>	<u>(6,235)</u>
Total - governmental activities	<u>\$ 37,237</u>	<u>\$55,722</u>	<u>\$195,271</u>	<u>\$288,230</u>
Business-type Activities:				
Water and sewer	\$126,268	\$ -	\$ -	\$126,268
Allowance for doubtful accounts	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>
Total - business-type activities	<u>\$123,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$123,768</u>

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Due from other governments consists of the following:

Local option sales tax	\$127,358
Utility franchise tax	42,049
Other	<u>25,864</u>
	<u>\$195,271</u>

Capital Assets

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 225,239	\$625,000	\$ -	\$ 850,239
Capital assets being depreciated:				
Buildings	609,211	-	-	609,211
Improvements (other than buildings)	537,535	-	-	537,535
Machinery and equipment	408,130	83,465	-	491,595
Office equipment	47,650	-	-	47,650
Parks	3,065,896	-	-	3,065,896
Vehicles	<u>615,349</u>	<u>-</u>	<u>-</u>	<u>615,349</u>
Total capital assets being depreciated	<u>5,283,771</u>	<u>83,465</u>	<u>-</u>	<u>5,367,236</u>
Less accumulated depreciation for:				
Buildings	240,682	16,707	-	257,389
Other improvements	90,896	13,331	-	104,227
Machinery and equipment	329,024	37,201	-	366,225
Office equipment	89,145	15,089	-	104,234
Parks	1,855,887	176,949	-	2,032,836
Vehicles	<u>524,368</u>	<u>18,236</u>	<u>-</u>	<u>542,604</u>
Total accumulated depreciation	<u>3,130,002</u>	<u>\$277,513</u>	<u>\$ -</u>	<u>3,407,515</u>
Total capital assets being depreciated,	<u>2,153,769</u>			<u>1,959,721</u>
Governmental activity capital assets,	<u>\$2,379,008</u>			<u>\$2,809,960</u>

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

Governmental Activities:	
General government	\$ 55,803
Environmental protection	13,884
Cultural and recreational	184,795
Transportation	<u>23,031</u>
Total depreciation expense	<u>\$277,513</u>

TOWN OF SAWMILLS, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

Proprietary Capital Assets

The capital assets of the Proprietary Fund of the Town at June 30, 2021 are as follows:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 5,436	\$ -	\$ -	\$ 5,436
Construction in process	<u>887,977</u>	<u>94,886</u>	<u>982,863</u>	<u>-</u>
Total capital assets not being depreciated	<u>893,413</u>	<u>94,886</u>	<u>982,863</u>	<u>5,436</u>
Capital assets being depreciated:				
Water distribution system	2,699,811	-	-	2,699,811
Sewer lines	4,430,369	-	-	4,430,369
Equipment	191,753	994,731	-	1,186,484
Vehicles	<u>100,169</u>	<u>34,037</u>	<u>-</u>	<u>134,206</u>
Total capital assets being depreciated	<u>7,422,102</u>	<u>1,028,768</u>	<u>-</u>	<u>8,450,870</u>
Less accumulated depreciation for:				
Water distribution system	1,192,739	51,357	-	1,244,096
Sewer lines	1,325,188	89,412	-	1,414,600
Equipment	185,055	27,325	-	212,380
Vehicles	<u>98,273</u>	<u>3,921</u>	<u>-</u>	<u>102,194</u>
Total accumulated depreciation	<u>2,801,255</u>	<u>\$ 172,015</u>	<u>\$ -</u>	<u>2,973,270</u>
Total capital assets being depreciated, net	<u>4,620,847</u>			<u>5,477,600</u>
Water and Sewer Fund capital assets, net	<u>\$5,514,260</u>			<u>\$5,483,036</u>

B. Liabilities

Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	<u>\$33,335</u>	<u>\$4,014</u>	<u>\$14,106</u>	<u>\$51,455</u>
Business-type activities:				
Water and sewer	<u>\$ 4,543</u>	<u>\$3,619</u>	<u>\$ -</u>	<u>\$ 8,162</u>

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Pension Plan and Postemployment Obligations

Local Government Employees' Retirement System

Plan Description. The Town of Sawmills is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement, disability 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers who are killed in the line of duty), or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (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. Effective July 1, 2019, LEOs who complete 25 years of creditable service, with 15 years as an officer, are eligible to retire with partial retirement benefits. 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 creditable service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Contributions. Contribution provisions are established by North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically, and affirmed annually, by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters, as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2021, all employers made contributions of 10.15% for general employees. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only. Contributions to the pension plan from the Town of Sawmills was \$51,705 for the year ended June 30, 2021.

Refunds of Contributions. Members who have terminated service as contributing members may file an application for a refund of their contributions. By State law, refunds to members include interest (currently 4%, per year), regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$244,065 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 0.00683%, which was an increase of 0.00014% from its proportion measured as of June 30, 2019.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

For the year ended June 30, 2021, the Town recognized pension expense of \$87,507.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,821	\$ -
Change in assumptions	18,163	-
Net difference between projected and actual earnings on pension plan investments	34,346	-
Changes in proportion, and differences between, the Town contributions and proportionate share of contributions	8,442	462
Town contributions subsequent to the measurement date	<u>51,705</u>	<u>-</u>
Total	<u>\$143,477</u>	<u>\$ 462</u>

\$51,705, 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 ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$27,085
2023	34,094
2024	19,987
2025	<u>10,165</u>
	<u>\$91,330</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 percent, net of pension plan investment expense, including inflation

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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 from 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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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)	<u>\$495,181</u>	<u>\$344,065</u>	<u>\$35,370</u>

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.

Other Post-Employment Benefits

The Town has not elected to provide other post-employment benefits to employees.

Other Employment Benefits

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Deferred Outflows and Inflows of Resources

The Town has deferred outflows of resources comprised of the following:

Contributions to pension plan in current fiscal year	\$ 51,705
Differences between expected and actual experience	30,821
Change in assumptions	18,163
Net difference between projected and actual earning on pension investments	34,346
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>8,442</u>
Total	<u>\$143,477</u>

The balance in deferred inflows of resources at year end is as follows:

Differences between expected and actual experience	\$ -
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	442
Taxes receivables (General Fund)	<u>55,722</u>
Total	<u>\$56,164</u>

Risk Management

The Town of Sawmills is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance coverage for risks of loss, including property insurance of up to \$4,264,313; liability coverage of up to \$2,000,000; and worker's compensation up to the statutory limits. There have been no significant reductions in insurance coverage from the previous year, and settled claims resulting from risks have not exceeded coverage commercial insurance coverage in the last five fiscal 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 tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

TOWN OF SAWMILLS, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

Long-Term Obligations

Notes Payable

Notes payable at June 30, 2021 are comprised of the following individual agreements:

Federal revolving direct placement loan for waterline capital project, annual payments of \$5,881, with no interest, through May 2030, secured by waterline	\$ 52,926
Bank note payable for water meter replacement, annual payments of \$85,804, including interest at 2.45%, through November 2024, secured by equipment	<u>323,180</u>
	376,106
Less current maturities	<u>83,767</u>
Long term portion	<u><u>\$292,339</u></u>

Annual debt service requirements to maturity for the Town's notes payable are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 83,767	\$ 7,918
2023	85,674	6,010
2024	87,629	4,055
2025	89,632	2,052
2026	5,881	-
2027-2030	<u>23,523</u>	<u>-</u>
Total proprietary funds	<u><u>\$376,106</u></u>	<u><u>\$20,035</u></u>

A summary of changes in long-term obligations follows:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Governmental activities:					
Net pension liability	\$137,024	\$46,025	\$ -	\$183,049	\$ -
Accrued vacation pay	<u>32,658</u>	<u>6,733</u>	<u>-</u>	<u>39,391</u>	<u>-</u>
Total	<u><u>\$169,682</u></u>	<u><u>\$52,758</u></u>	<u><u>\$ -</u></u>	<u><u>\$222,440</u></u>	<u><u>\$ -</u></u>
Business-type activities:					
Direct placement notes payable	\$458,807	\$ -	\$82,701	\$376,106	\$83,767
Net pension liability	45,675	15,341	-	61,016	-
Accrued vacation pay	<u>10,261</u>	<u>847</u>	<u>-</u>	<u>11,108</u>	<u>-</u>
Total	<u><u>\$514,743</u></u>	<u><u>\$16,188</u></u>	<u><u>\$82,701</u></u>	<u><u>\$448,230</u></u>	<u><u>\$83,767</u></u>

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2021 Town of Sawmills had a legal debt margin of \$20,918,454.

Fund Balance

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

Total fund balance - General Fund	\$6,927,778
Less:	
Stabilization by State Statute	225,874
Streets - Powell Bill	<u>462,265</u>
Remaining Fund Balance	<u>\$6,239,639</u>

The Town of Sawmills has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to, or greater than, 33% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with four counties and twenty-three other municipalities, established the Western Piedmont Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$4,172 for membership fees during the fiscal year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 12, 2021, the date on which the financial statements were available to be issued, and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Sawmills, North Carolina is not reflected in the financial statements for the year ended June 30, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of October 12, 2021.

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 1****Schedule of the 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>
Sawmills' proportion of the net pension liability (asset) (%)	0.00683%	0.00669%	0.00723%	0.00695%	0.00704%	0.00734%	0.00844%	0.00790%
Sawmills' proportion of the net pension liability (asset) (\$)	\$ 244,065	\$ 182,699	\$ 171,520	\$ 106,177	\$ 149,412	\$ 32,941	\$ (49,775)	\$ 95,225
Sawmills' covered payroll	\$ 530,639	\$ 521,350	\$ 518,568	\$ 502,251	\$ 460,700	\$ 451,472	\$ 470,232	\$ 449,906
Sawmills' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.99%	35.04%	33.26%	21.14%	32.43%	7.30%	(10.59%)	21.17%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.45%	98.09%	102.64%	94.35%

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

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

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 2****Schedule of 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	\$ 51,705	\$ 47,492	\$ 40,405	\$ 38,893	\$ 36,413	\$ 30,729	\$ 31,919	\$ 33,245
Contributions in relation to the contractually required contribution	<u>51,705</u>	<u>47,492</u>	<u>40,405</u>	<u>38,893</u>	<u>36,413</u>	<u>30,729</u>	<u>31,919</u>	<u>33,245</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 509,408</u>	<u>\$ 530,639</u>	<u>\$ 521,350</u>	<u>\$ 518,568</u>	<u>\$ 502,251</u>	<u>\$ 460,700</u>	<u>\$ 451,472</u>	<u>\$ 470,232</u>
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 3****Page 1 of 3**

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
With Comparative Actual Amounts For the Year Ended June 30, 2020

	<u>2021</u>		<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 476,450	\$ 514,988		\$ 511,660
Penalties and interest	-	6,631		5,161
	<u>476,450</u>	<u>521,619</u>	<u>\$ 45,169</u>	<u>516,822</u>
Other taxes and licenses:				
Local option sales tax	<u>884,000</u>	<u>1,449,508</u>	<u>565,508</u>	<u>1,265,388</u>
Unrestricted intergovernmental revenues:				
Franchise tax	<u>187,858</u>	<u>175,822</u>	<u>(12,036)</u>	<u>177,674</u>
Restricted intergovernmental revenues:				
"State Street-Aid" allocation and other grants	<u>130,000</u>	<u>137,230</u>	<u>7,230</u>	<u>144,539</u>
Permits and fees:				
Zoning permits	<u>500</u>	<u>1,015</u>	<u>515</u>	<u>830</u>
Sales and services:				
Refuse collections	<u>203,000</u>	<u>280,109</u>	<u>77,109</u>	<u>217,774</u>
Investment earnings	<u>-</u>	<u>2,969</u>	<u>2,969</u>	<u>8,371</u>
Miscellaneous revenues	<u>8,030</u>	<u>19,050</u>	<u>11,020</u>	<u>286,978</u>
Total revenues	<u>1,889,838</u>	<u>2,587,322</u>	<u>697,484</u>	<u>2,618,375</u>
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	45,800	14,922		13,887
Election cost	-	-		4,788
Other operating expenditures	-	16,675		16,176
Total governing body	<u>45,800</u>	<u>31,597</u>	<u>14,203</u>	<u>34,850</u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 3, cont.

Page 2 of 3

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
With Comparative Actual Amounts For the Year Ended June 30, 2020

	<u>2021</u>		<u>Variance Positive (Negative)</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures (continued):				
Administrative:				
Salaries and employee benefits	\$ 466,288	\$ 203,344		\$ 190,390
Other operating expenditures	625,000	768,301		155,297
Interlocal agreement	194,000	194,000		194,000
Total administrative	<u>1,285,288</u>	<u>1,165,645</u>	<u>\$ 119,643</u>	<u>539,687</u>
Finance:				
Salaries and employee benefits	94,850	86,156		84,032
Other operating expenditures	-	2,878		1,476
Total finance	<u>94,850</u>	<u>89,034</u>	<u>5,816</u>	<u>85,508</u>
Total general government	<u>1,425,938</u>	<u>1,286,276</u>	<u>139,662</u>	<u>660,045</u>
Transportation:				
Salaries and employee benefits	386,900	240,237		263,422
Other operating expenditures	37,000	98,384		110,802
Total transportation	<u>423,900</u>	<u>338,621</u>	<u>85,279</u>	<u>374,224</u>
Environmental protection:				
Sanitation:				
Other operating expenditures	-	21,534		186,027
Contracted services	235,500	200,082		-
Total sanitation	<u>235,500</u>	<u>221,615</u>	<u>13,885</u>	<u>186,027</u>
Recycling:				
Contracted services	<u>90,000</u>	<u>90,499</u>	<u>(499)</u>	<u>87,168</u>
Total environmental protection	<u>325,500</u>	<u>312,114</u>	<u>13,386</u>	<u>273,195</u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 3, cont.

Page 3 of 3

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
With Comparative Actual Amounts For the Year Ended June 30, 2020

	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Expenditures (continued):				
Economic and physical development:				
Planning and zoning:				
Other operating expenditures	<u>\$ 144,550</u>	<u>\$ 109,731</u>	<u>\$ 34,819</u>	<u>\$ 83,357</u>
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	194,950	110,606		101,223
Other operating expenditures	<u>-</u>	<u>74,998</u>		<u>201,329</u>
Total cultural and recreational	<u>194,950</u>	<u>185,605</u>	<u>9,345</u>	<u>302,552</u>
Total expenditures	<u>2,514,838</u>	<u>2,232,347</u>	<u>282,491</u>	<u>1,693,374</u>
Other Financing Sources (Uses):				
Operating transfers in (out):				
Capital project fund	-	-	-	(420,000)
Covid cares fund	-	-	-	(1,547)
Capital reserve fund	-	-	-	(288,000)
Fund balance appropriated	<u>625,000</u>	<u>-</u>	<u>(625,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>625,000</u>	<u>-</u>	<u>(625,000)</u>	<u>(709,547)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	354,975	<u>\$ 354,975</u>	215,455
Fund balance, beginning of year		<u>6,572,803</u>		<u>6,357,348</u>
Fund balance, end of year		<u>\$6,927,778</u>		<u>\$ 6,572,803</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 4****Covid Cares Fund**
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Year</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Grants	\$ 70,285	\$ 36,297	\$ 33,988	\$ 70,285	\$ -
Total revenues	<u>70,285</u>	<u>36,297</u>	<u>33,988</u>	<u>70,285</u>	<u>-</u>
Expenditures:					
General government	\$ 70,285	\$ 34,100	\$ 31,009	\$ 65,109	\$ 5,176
Total expenditures	<u>70,285</u>	<u>34,100</u>	<u>31,009</u>	<u>65,109</u>	<u>5,176</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,197</u>	<u>2,979</u>	<u>5,176</u>	<u>5,176</u>
Other Financing Sources (Uses):					
Transfers	-	1,547	-	1,547	1,547
Total other financing sources (uses)	<u>-</u>	<u>1,547</u>	<u>-</u>	<u>1,547</u>	<u>1,547</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,744</u>	<u>\$ 2,979</u>	<u>\$ 6,723</u>	<u>\$ 6,723</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 5**

Capital Project Fund
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Year</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Expenditures:					
Vehicle	\$ 408,000	\$ 60,000	\$ -	\$ 60,000	\$ 348,000
Total expenditures	<u>408,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>348,000</u>
Revenues over (under) expenditures	<u>(408,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>348,000</u>
Other Financing Sources (Uses):					
Transfers	<u>408,000</u>	<u>434,000</u>	<u>-</u>	<u>434,000</u>	<u>26,000</u>
Total other financing sources (uses)	<u>408,000</u>	<u>434,000</u>	<u>-</u>	<u>434,000</u>	<u>26,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 374,000</u>	<u>\$ -</u>	<u>\$ 374,000</u>	<u>\$ 374,000</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 6****Page 1 of 2**

Water and Sewer Fund
Schedule 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

	<u>2021</u>		<u>Variance</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Charges for services		\$ 1,047,584		\$ 957,044
Taps and connections		10,000		6,867
Other operating revenues		<u>88,641</u>		<u>19,843</u>
Total operating revenues	\$ 1,057,931	<u>1,146,225</u>	\$ 88,294	<u>983,754</u>
Non-operating revenues:				
Interest on investments		2,019		5,573
Other income		<u>29,118</u>		<u>25,470</u>
Total non-operating revenues	-	<u>31,137</u>	<u>31,137</u>	<u>31,043</u>
Total revenues	<u>1,057,931</u>	<u>1,177,361</u>	<u>119,430</u>	<u>1,014,798</u>
Expenditures:				
Water distribution:				
Water purchases		220,415		214,323
Salaries and employee benefits		130,680		98,595
Other operating expenditures		128,362		331,080
Capital outlay		45,904		38,660
Principal retirement		<u>82,701</u>		<u>5,881</u>
Total water distribution	792,731	<u>608,062</u>	184,669	<u>688,540</u>
Sewer collection:				
Sewer charges		111,424		105,393
Salaries and employee benefits		52,254		49,832
Other operating expenditures		<u>31,183</u>		<u>27,768</u>
Total sewer collection	<u>265,200</u>	<u>194,861</u>	<u>70,339</u>	<u>182,992</u>
Total expenditures	<u>1,057,931</u>	<u>802,923</u>	<u>255,008</u>	<u>871,532</u>
				cont.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 6, cont.

Page 2 of 2

Water and Sewer Fund
Schedule 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			2020 Actual
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	
Revenues over (under) expenditures	\$ -	\$ 374,438	\$ 374,438	\$ 143,266
Other Financing Sources:				
Transfer from general fund	-	-	-	420,000
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 374,438</u>	<u>\$ 374,438</u>	<u>\$ 563,266</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues over (under) expenditures		\$ 374,438		\$ 563,266
Reconciling items:				
Payment on debt principal		82,701		5,881
Increase (decrease) in accrued compensated absences		847		456
(Increase) decrease in deferred outflows of resources - pensions		(6,341)		6,469
Increase (decrease) in net pension liability		15,341		2,795
Increase (decrease) in deferred inflows of resources - pensions		(50)		(674)
Capital outlay		45,904		38,660
Capital projects		21,998		-
Depreciation		<u>(172,015)</u>		<u>(152,271)</u>
Net income (loss)		<u>\$ 362,823</u>		<u>\$ 464,582</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 7****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	\$ -	\$ 532,364	\$ 517,785	\$ 14,579
2019 - 2020	16,898	-	6,727	10,171
2018 - 2019	10,259	-	3,391	6,868
2017 - 2018	7,833	-	2,364	5,469
2016 - 2017	5,580	-	921	4,659
2015 - 2016	4,995	-	821	4,174
2014 - 2015	3,608	-	485	3,123
2013 - 2014	4,895	-	1,130	3,765
2012 - 2013	5,771	-	1,292	4,479
2011 - 2012	5,363	-	693	4,670
2010 - 2011	3,436	-	3,436	-
	<u>\$ 68,638</u>	<u>\$ 532,364</u>	<u>\$ 539,045</u>	61,957
Less allowance for uncollectible accounts:				
General fund				<u>6,235</u>
Ad valorem taxes receivable - net				<u>\$ 55,722</u>
Reconciliation with revenues:				
Taxes - Ad Valorem, General				\$ 521,619
Penalties and interest collected				(6,631)
Collection fees				14,823
Discounts and miscellaneous adjustments				5,798
Amount written off				<u>3,436</u>
				<u>\$ 539,045</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 8****Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2021**

	<u>Town Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year rate	\$ 266,182,000	0.20	\$ 532,364	\$ 448,360	\$ 84,004
Total	266,182,000		532,364	448,360	84,004
Discoveries	-		-	-	-
Abatements	-		-	-	-
Total property valuation	<u>\$ 266,182,000</u>				
Net levy			532,364	448,360	84,004
Uncollected taxes at June 30, 2020			<u>14,579</u>	<u>14,579</u>	<u>-</u>
Current year's tax collected			<u>\$ 517,785</u>	<u>\$ 433,781</u>	<u>\$ 84,004</u>
Current levy collection percentage			<u>97.26%</u>	<u>96.74%</u>	<u>100.00%</u>