

REVIEWED

By SLGFD at 9:55 am, Apr 28, 2022

TOWN OF STAR, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2021

TOWN OF STAR, NORTH CAROLINA

BOARD OF COMMISSIONERS

Mary O'Brien - Mayor

Alice Clemens

Eddie Bernard

Jennifer Fountain

Aaron Russell

Mark Maynard - Mayor Pro-Tem

OFFICIALS

Robin L. Hussey

Town Clerk

Max Garner

Town Attorney

TOWN OF STAR, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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 Star (the "Town"), North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my 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 Star, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 48 and 49, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Star
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Supplementary and Other Information

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

The individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 by me. In my opinion, based on my audit and the procedures performed as described above, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

November 12, 2021

Management's Discussion and Analysis

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

Financial Highlights

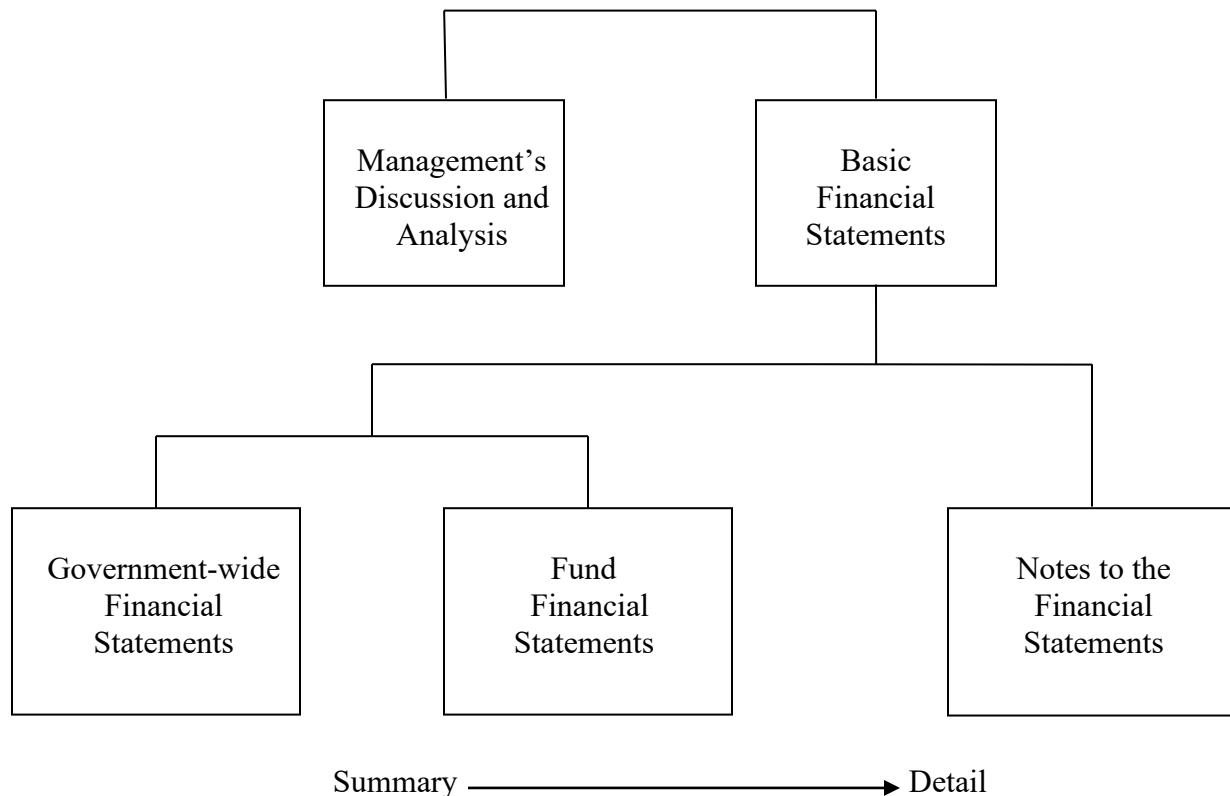
- The assets and deferred outflows of resources of the Town of Star exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,269,125 (net position).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$738,889, or 113.91 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

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 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. These are three parts of 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's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Analysis

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Star, 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 Town of Star 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Star adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which

services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Star has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Star uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Star's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

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

Government-Wide Financial Analysis

Town of Star's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,194,375	\$ 1,054,206	\$ 88,503	\$ 54,303	\$ 1,282,878	\$ 1,108,509
Capital assets	1,178,622	1,194,742	969,072	988,444	2,147,694	2,183,186
Deferred outflows of resources	64,144	48,685	16,859	15,211	81,003	63,896
Total assets and deferred outflows of resources	2,437,141	2,297,633	1,074,434	1,057,958	3,511,575	3,355,591
Long-term liabilities outstanding	164,229	142,263	20,629	17,723	184,858	159,986
Other liabilities	35,560	30,197	9,775	13,966	45,335	44,163
Deferred inflows of resources	12,257	15,871	-	-	12,257	15,871
Total liabilities and deferred inflows of resources	212,046	188,331	30,404	31,689	242,450	220,020
Net position:						
Net investment in capital assets	1,108,035	1,118,384	969,072	988,444	2,077,107	2,106,828
Restricted	273,254	250,306	-	-	273,254	250,306
Unrestricted	843,806	740,612	74,958	37,825	918,764	778,437
Total net position	\$ 2,225,095	\$ 2,109,302	\$ 1,044,030	\$ 1,026,269	\$ 3,269,125	\$ 3,135,571

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Star exceeded liabilities and deferred inflows by \$3,269,125 as of June 30, 2021. The Town's net position increased by \$133,554 for the fiscal year ended June 30, 2021. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Star uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Star's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Star's net position, \$273,254, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.55%.
- Receiving of approximately \$210,492 of local option sales tax.

The Town of Star Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 37,340	\$ 36,975	\$ 277,352	\$ 268,606	\$ 314,692	\$ 305,581
Operating grants and contributions	91,125	66,088	17,500	-	108,625	66,088
General revenues:						
Property taxes	311,945	295,169	-	-	311,945	295,169
Capital grants and contributions	11,592	-	-	-	11,592	-
Grants and contributions not restricted to specific programs	329,201	295,998	-	-	329,201	295,998
Other	8,271	24,244	22,293	15,688	30,564	39,932
Total revenues	<u>789,474</u>	<u>718,474</u>	<u>317,145</u>	<u>284,294</u>	<u>1,106,619</u>	<u>1,002,768</u>
Expenses:						
General government	149,114	148,883	-	-	149,114	148,883
Public safety	276,341	267,492	-	-	276,341	267,492
Transportation	166,436	152,801	-	-	166,436	152,801
Economic and physical development	-	-	-	-	-	-
Sanitation	59,326	57,510	-	-	59,326	57,510
Cultural and recreational	19,879	16,146	-	-	19,879	16,146
Interest on long-term debt	2,585	2,793	-	-	2,585	2,793
Water and sewer	-	-	299,384	324,301	299,384	324,301
Total expenses	<u>673,681</u>	<u>645,625</u>	<u>299,384</u>	<u>324,301</u>	<u>973,065</u>	<u>969,926</u>
Increase (decrease) in net position	<u>115,793</u>	<u>72,849</u>	<u>17,761</u>	<u>(40,007)</u>	<u>133,554</u>	<u>32,842</u>
Net position, July 1 as previously Reported	2,109,302	2,080,593	1,026,269	1,066,276	3,135,571	3,146,869
Restatement	<u>-</u>	<u>(44,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,140)</u>
Net position, July 1 as restated	<u>2,109,302</u>	<u>2,036,453</u>	<u>1,026,269</u>	<u>1,066,276</u>	<u>3,135,571</u>	<u>3,102,729</u>
Net position, June 30	\$ <u>2,225,095</u>	\$ <u>2,109,302</u>	\$ <u>1,044,030</u>	\$ <u>1,026,269</u>	\$ <u>3,269,125</u>	\$ <u>3,135,571</u>

Governmental activities - Governmental activities increased the Town's net position by \$115,793, thereby accounting for 86.70% of the total growth in the net position of the Town of Star. Key elements of this increase are as follows:

- Operating grants and contributions increased \$25,037.
- Capital grants and contributions increased \$11,592.
- Property taxes increased \$16,776.

Business-type activities: Business-type activities increased the Town of Star's net position by \$17,761 accounting for 13.30 % of the total growth in the government's net position. A key element of this increase is as follows:

- Water and sewer revenues increased \$32,851.
- Water and sewer expenses decreased \$24,917.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Star'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 Star's financing requirements.

The general fund is the chief operating fund of the Town of Star. At the end of the current fiscal year, Town of Star's fund balance available in the General Fund was \$738,889, while total fund balance reached \$1,139,846. The Town currently has an available fund balance of 113.91% of general fund expenditures, while total fund balance represents 175.72% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town 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.

There were several reasons the Town revised its budget throughout the year. The Town purchased a lawn mower and there was an increase in insurance expense, both for the Street department. The Water and Sewer fund had to cover the cost of two major water leaks.

Proprietary Funds. The Town of Star's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to an available balance of \$74,958.

Capital Asset and Debt Administration

Capital assets. The Town of Star's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,147,694 (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:

- Resurfacing of Various Streets (Street Department) for \$8,000.
- Security System (General-Building) for \$13,400.
- Valve Insertion (Water Department) for \$12,850

**Town of Star's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 234,255	\$ 234,255	\$ 66,250	\$ 66,250	\$ 300,505	\$ 300,505
Buildings and systems	540,873	567,091	860,750	894,404	1,401,623	1,461,495
Infrastructure	308,796	308,661	-	-	308,796	308,661
Machinery & equipment	80,010	61,813	40,272	24,790	120,282	86,603
Vehicles and motorized equipment	14,688	22,922	1,800	3,000	16,488	25,922
Total	\$ 1,178,622	\$ 1,194,742	\$ 969,072	\$ 988,444	\$ 2,147,694	\$ 2,183,186

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

Long-term Debt. As of June 30, 2021, the Town of Star had \$70,587 of debt outstanding relating to the purchase of a police car and roof repair on the Town Hall.

Town of Star's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment debt	\$ 70,587	\$ 76,358	\$ -	\$ -	\$ 70,587	\$ 76,358
Total	\$ 70,587	\$ 76,358	\$ -	\$ -	\$ 70,587	\$ 76,358

Town of Star's Outstanding Debt

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Star is \$4,064,969.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

Governmental Activities: Property tax collections and Local Option Sales Tax resulted in a strong General Fund balance. Neither of these areas seemed to be affected by Covid 19. There was not an increase in the property tax rate.

Business-Type Activities: The water and sewer departments experienced a small decline in collection due to Covid 19. Collections are projected to increase for FY 2021-2022. Water rates will increase next year to cover operating costs, primarily due to equipment maintenance.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property tax and sales and use tax are the major budget revenues in General Fund. Major budgeted expenses are a new police car and a new truck for the Street Department.

Business-Type Activities: Water rates were increased by \$2.00 per billing to cover the increased cost of operations and maintenance.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Star, P.O. Box 97, Star, NC 27356. One can also call (910) 428-4623 or send an email to townofstar@gmail.com for more information.

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 798,557	\$ 81,342	\$ 879,899
Taxes receivable (net)	27,836	-	27,836
Accounts receivable (net)	14,303	112,405	126,708
Due from other governments	96,196	-	96,196
Internal balances	107,119	(107,119)	-
Restricted cash and cash equivalents	150,364	1,875	152,239
Total Current Assets	<u>1,194,375</u>	<u>88,503</u>	<u>1,282,878</u>
Non-Current Assets:			
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	234,255	66,250	300,505
Other capital assets, net of depreciation	<u>944,367</u>	<u>902,822</u>	<u>1,847,189</u>
Total Capital Assets	<u>1,178,622</u>	<u>969,072</u>	<u>2,147,694</u>
Total Assets	<u>2,372,997</u>	<u>1,057,575</u>	<u>3,430,572</u>
Deferred Outflows of Resources:			
Pension deferrals	<u>64,144</u>	<u>16,859</u>	<u>81,003</u>
Total Deferred Outflows of Resources	<u>64,144</u>	<u>16,859</u>	<u>81,003</u>
Liabilities:			
Current Liabilities:			
Accounts payable	9,000	7,900	16,900
Accrued interest payable	2,239	-	2,239
Compensated absences payable	14,949	-	14,949
Payable from restricted assets	3,390	1,875	5,265
Current portion of long-term liabilities	<u>5,982</u>	<u>-</u>	<u>5,982</u>
Total Current Liabilities	<u>35,560</u>	<u>9,775</u>	<u>45,335</u>
Long-term Liabilities:			
Net pension liability	57,986	20,629	78,615
Total pension liability	41,638	-	41,638
Due in more than one year	<u>64,605</u>	<u>-</u>	<u>64,605</u>
Total Long-term Liabilities	<u>164,229</u>	<u>20,629</u>	<u>184,858</u>
Total Liabilities	<u>199,789</u>	<u>30,404</u>	<u>230,193</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>12,257</u>	<u>-</u>	<u>12,257</u>
Total Deferred Inflows of Resources	<u>12,257</u>	<u>-</u>	<u>12,257</u>
Net Position:			
Net investment in capital assets	1,108,035	969,072	2,077,107
Restricted for:			
Stabilization by state statute	203,316	-	203,316
Streets	69,938	-	69,938
Unrestricted	<u>843,806</u>	<u>74,958</u>	<u>918,764</u>
Total Net Position	<u>\$ 2,225,095</u>	<u>\$ 1,044,030</u>	<u>\$ 3,269,125</u>

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

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 149,114	\$ -	\$ 24,358	\$ -	\$ (124,756)	\$ -	\$ (124,756)
Public safety	276,341	-	37,482	11,592	(227,267)	-	(227,267)
Transportation	166,436	-	28,635	-	(137,801)	-	(137,801)
Environmental protection	59,326	37,340	650	-	(21,336)	-	(21,336)
Cultural and recreational	19,879	-	-	-	(19,879)	-	(19,879)
Interest on long-term debt	2,585	-	-	-	(2,585)	-	(2,585)
Total Governmental Activities (See Note 1)	673,681	37,340	91,125	11,592	(533,624)	-	(533,624)
Business-Type Activities:							
Water and sewer	299,384	277,352	17,500	-	-	(4,532)	(4,532)
Total Business-Type Activities	299,384	277,352	17,500	-	-	(4,532)	(4,532)
Total Primary Government	\$ 973,065	\$ 314,692	\$ 108,625	\$ 11,592	(533,624)	(4,532)	(538,156)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					311,945	-	311,945
Grants and contributions not restricted to specific programs					329,201	-	329,201
Unrestricted investment earnings					2,211	44	2,255
Miscellaneous					6,060	22,249	28,309
Total General Revenues					649,417	22,293	671,710
Change in Net Position					115,793	17,761	133,554
Net Position-Beginning					2,109,302	1,026,269	3,135,571
Net Position-Ending					\$ 2,225,095	\$ 1,044,030	\$ 3,269,125

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

TOWN OF STAR, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2021

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>		
Assets:			
Cash and cash equivalents	\$ 798,557	\$	798,557
Restricted cash	150,364		150,364
Receivables, net:			
Taxes	27,836		27,836
Garbage	14,303		14,303
Due from other funds	107,119		107,119
Due from other governments	96,196		96,196
Total Assets	\$ 1,194,375	\$	1,194,375
Liabilities:			
Accounts payable and accrued liabilities	\$ 9,000	\$	9,000
Other payable	3,390		3,390
Total Liabilities	12,390		12,390
Deferred Inflows of Resources:			
Property taxes receivable	27,836		27,836
Sanitation receivable	14,303		14,303
Total Deferred Inflows of Resources	42,139		42,139
Fund Balances:			
Restricted			
Stabilization by state statute	203,316		203,316
Streets	69,938		69,938
Assigned			
Subsequent year's expenditures	127,703		127,703
Unassigned	738,889		738,889
Total Fund Balances	1,139,846		1,139,846
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,194,375		
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$ 2,617,812		
Accumulated depreciation	(1,439,190)		1,178,622
Deferred outflows of resources related to pensions are not reported in the funds			64,144
Earned revenues considered deferred inflows of resources in fund statements.			42,139
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds			
Gross long-term debt beginning	(85,322)		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(214)		(85,536)
Deferred inflows of resources related to pensions are not reported in the funds			(12,257)
Net pension liability			(57,986)
Total pension liability			(41,638)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.			
			(2,239)
Net position of governmental activities		\$	<u>2,225,095</u>

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

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2021

	<u>Major Fund</u>	Total
	General	Governmental Fund
Revenues:		
Ad valorem taxes	\$ 313,384	\$ 313,384
Unrestricted intergovernmental	329,201	329,201
Restricted intergovernmental	102,717	102,717
Permits and fees	90	90
Sales and services	37,742	37,742
Investment earnings	2,211	2,211
Miscellaneous	5,970	5,970
Total Revenues	<u>791,315</u>	<u>791,315</u>
Expenditures:		
Current:		
General government	129,939	129,939
Public safety	281,791	281,791
Transportation	156,489	156,489
Environmental protection	59,326	59,326
Cultural and recreational	12,571	12,571
Debt Service:		
Principal	5,773	5,773
Interest and other charges	2,768	2,768
Total Expenditures	<u>648,657</u>	<u>648,657</u>
Net Change in Fund Balances	<u>142,658</u>	<u>142,658</u>
Fund Balances, Beginning	<u>997,188</u>	<u>997,188</u>
Fund Balances, Ending	<u>\$ 1,139,846</u>	<u>\$ 1,139,846</u>

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

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

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	\$	142,658
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	57,303
Depreciation expense for governmental assets		<u>(73,423)</u> (16,120)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		22,921
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		330
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(1,439)
Change in unavailable revenue for sanitation revenues		<u>(402)</u> (1,841)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		5,771
Decrease in accrued interest payable		<u>183</u> 5,954
<p>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.</p>		
Compensated absences		(5,985)
Pension expense		<u>(32,124)</u> <u>(38,109)</u>
Total changes in net position of governmental activities	\$	<u><u>115,793</u></u>

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

TOWN OF STAR, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 283,000	\$ 283,000	\$ 313,384	\$ 30,384
Unrestricted intergovernmental	273,700	287,933	329,201	41,268
Restricted intergovernmental	97,268	97,268	102,717	5,449
Permits and fees	100	90	90	-
Sales and services	36,000	36,000	37,742	1,742
Investment earnings	2,600	220	2,211	1,991
Miscellaneous	6,200	5,700	5,970	270
Total Revenues	698,868	710,211	791,315	81,104
Expenditures:				
Current:				
General government	157,946	147,946	129,939	18,007
Public safety	332,346	332,346	281,791	50,555
Transportation - streets	194,843	216,186	156,489	59,697
Environmental protection	63,000	63,000	59,326	3,674
Cultural and recreational	16,990	16,990	12,571	4,419
Debt Service:				
Principal retirement	8,541	8,541	5,773	2,768
Interest and other charges	-	-	2,768	(2,768)
Total Expenditures	773,666	785,009	648,657	136,352
Revenues Over (Under)				
Expenditures	(74,798)	(74,798)	142,658	217,456
Fund Balance Appropriated	74,798	74,798	-	(74,798)
Net Change in Fund Balance	\$ -	\$ -	142,658	\$ 142,658
Fund Balance, Beginning			997,188	
Fund Balance, Ending			\$ 1,139,846	

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

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF FUND NET POSITION****PROPRIETARY FUND**

June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 81,342	\$ 81,342
Accounts receivable (net)-billed	84,090	84,090
Accounts receivable (net)-unbilled	28,315	28,315
Restricted cash and cash equivalents	1,875	1,875
Total Current Assets	<u>195,622</u>	<u>195,622</u>
Noncurrent Assets:		
Capital Assets:		
Land and other non-depreciable assets	66,250	66,250
Other capital assets, net of depreciation	<u>902,822</u>	<u>902,822</u>
Capital assets (net)	<u>969,072</u>	<u>969,072</u>
Total Noncurrent Assets	<u>969,072</u>	<u>969,072</u>
Total Assets	\$ <u>1,164,694</u>	\$ <u>1,164,694</u>
Deferred Outflows of Resources:		
Pension deferrals	<u>16,859</u>	<u>16,859</u>
Total Deferred Outflows of Resources	<u>16,859</u>	<u>16,859</u>
Liabilities:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 7,900	\$ 7,900
Due to other funds	107,119	107,119
Liabilities payable from restricted assets:		
Employee savings	<u>1,875</u>	<u>1,875</u>
Total Current Liabilities	<u>116,894</u>	<u>116,894</u>
Noncurrent Liabilities:		
Net pension liability	<u>20,629</u>	<u>20,629</u>
Total Noncurrent Liabilities	<u>20,629</u>	<u>20,629</u>
Total Liabilities	<u>137,523</u>	<u>137,523</u>
Net Position:		
Net investment in capital assets	969,072	969,072
Unrestricted	<u>74,958</u>	<u>74,958</u>
Total Net Position	\$ <u>1,044,030</u>	\$ <u>1,044,030</u>

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

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
PROPRIETARY FUND

For the Year Ended June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Operating Revenues:		
Charges for services	\$ 270,482	\$ 270,482
Other operating revenues	6,870	6,870
Total Operating Revenues	<u>277,352</u>	<u>277,352</u>
Operating Expenses:		
Water treatment and distribution	177,834	177,834
Wastewater collection and treatment	79,455	79,455
Depreciation	42,095	42,095
Total Operating Expenses	<u>299,384</u>	<u>299,384</u>
Operating Income (Loss)	<u>(22,032)</u>	<u>(22,032)</u>
Nonoperating Revenues (Expenses):		
Investment earnings	44	44
Miscellaneous	2,211	2,211
USDA search grant	17,500	17,500
Insurance recovery	3,905	3,905
Land rent	16,133	16,133
Total Nonoperating Revenues (Expenses)	<u>39,793</u>	<u>39,793</u>
Change in Net Position	17,761	17,761
Total Net Position, Beginning	<u>1,026,269</u>	<u>1,026,269</u>
Total Net Position, Ending	\$ <u><u>1,044,030</u></u>	\$ <u><u>1,044,030</u></u>

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

TOWN OF STAR, NORTH CAROLINA**STATEMENT OF CASH FLOWS****PROPRIETARY FUND**

For the Year Ended June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 277,684	\$ 277,684
Cash paid for goods and services	(195,679)	(195,679)
Cash paid to or on behalf of employees for services	(64,543)	(64,543)
Other operating revenues	6,870	6,870
Net Cash Provided (Used) by Operating Activities	<u>24,332</u>	<u>24,332</u>
Cash Flows From Noncapital Financing Activities:		
(Decrease) in due to other funds	(5,084)	(5,084)
Total Cash Flows From Noncapital Financing Activities	<u>(5,084)</u>	<u>(5,084)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(22,723)	(22,723)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,723)</u>	<u>(22,723)</u>
Cash Flows From Investing Activities:		
Land rent	16,133	16,133
Miscellaneous	2,211	2,211
USDA search grant	17,500	17,500
Insurance recovery	3,905	3,905
Interest and dividends	44	44
Total Cash Flows From Investing Activities	<u>39,793</u>	<u>39,793</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>36,318</u>	<u>36,318</u>
Balance - Beginning	<u>46,899</u>	<u>46,899</u>
Balance - Ending	<u>\$ 83,217</u>	<u>\$ 83,217</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (22,032)	\$ (22,032)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	42,095	42,095
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable	7,202	7,202
Increase in deferred outflows of resources-pensions	(1,647)	(1,647)
Increase in net pension liability	2,906	2,906
Increase (decrease) in accounts payable and accrued liabilities	(522)	(522)
Increase (decrease) in compensated absences	(3,595)	(3,595)
Increase (decrease) in employee savings	(75)	(75)
Total Adjustments	<u>46,364</u>	<u>46,364</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 24,332</u>	<u>\$ 24,332</u>

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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Star conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Star (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, the Town includes all funds and account groups that are controlled by the Town.

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific 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 specific 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.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, street maintenance and construction, economic and physical development, sanitation services and cultural activities.

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.

Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants 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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 Star because the tax is levied by Montgomery County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants 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 and then general revenues.

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. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Deposits and Investments (Concluded)

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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Star Restricted Cash

Governmental Activities			
General Fund			
	Streets	\$	69,938
	Fire Department		70,036
	USDA loan		7,000
	Employee savings		3,390
Total Governmental Activities		\$	<u>150,364</u>
Business-type Activities			
Water and Sewer Fund			
	Employee savings	\$	<u>1,875</u>
Total Business-Type Activities		\$	<u>1,875</u>
Total Restricted Cash		\$	<u><u>152,239</u></u>

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Ad Valorem Taxes Receivable

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

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 collectability of individual accounts.

Inventory and Prepaid Items

The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased.

The Town does not have any prepaid items in either the government-wide or fund financial statements.

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 for land, buildings, furniture and equipment, improvements, and vehicles has been set at \$1,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Capital Assets (Concluded)

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	20-40
Furniture and office equipment	5-10
Improvements	15-25
Vehicles	5-15

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty 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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Compensated Absences (Concluded)

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 taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Concluded)

Fund Balances (Concluded)

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the budget officer to transfer amounts between line item expenditures within a department without limitation and without a report being required.

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

The Finance Officer has been given the authority to spend resources in the order deemed in the best interest of the Town. For purposes of fund balance classification, expenditures are spent from restricted fund balance first, followed by assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension 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 Star's employer contributions are recognized when due and the Town of Star 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.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

The Town paid an obligation incurred without sufficient evidence that the pre-audit process was adhered to in violation of G.S. 159-25(a)(2). The Town will document the account code on the pre-audit certificate in the future. The Town paid an obligation incurred without the invoice having the disbursement stamp to document the Town was in compliance with G.S. 159-28(b). The Town will use the disbursement stamp on the required documents in the future. The Town was missing two receipts for purchases. It is not possible to verify the Town's pre-audit process was in compliance with G.S. 159(a)(2) for these missing receipts. The Town will use the pre-audit certificate on the required documents in the future.

Note 3 - Detail Notes on All Funds

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 its 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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,032,088 and a bank balance of \$1,036,821. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$50.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Assets (Continued)

Investments

At June 30, 2021, the Town of Star had \$305,700 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 39,828
Enterprise Fund:	
Accounts receivable	<u>107,812</u>
Total	<u>\$ 147,640</u>

Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 234,255	\$ -	\$ -	\$ 234,255
Total capital assets not being depreciated	<u>234,255</u>	<u>-</u>	<u>-</u>	<u>234,255</u>
Capital assets being depreciated:				
Buildings	1,355,918	13,400	-	1,369,318
Infrastructure	353,758	12,626	-	366,384
Equipment	356,171	31,277	2,079	385,369
Vehicles and motorized equipment	<u>262,486</u>	<u>-</u>	<u>-</u>	<u>262,486</u>
Total capital assets being depreciated	<u>2,328,333</u>	<u>57,303</u>	<u>2,079</u>	<u>2,383,557</u>
Less accumulated depreciation for:				
Buildings	788,827	39,618	-	828,445
Infrastructure	45,097	12,491	-	57,588
Equipment	294,358	13,080	2,079	305,359
Vehicles and motorized equipment	<u>239,564</u>	<u>8,234</u>	<u>-</u>	<u>247,798</u>
Total accumulated depreciation	<u>1,367,846</u>	<u>\$ 73,423</u>	<u>\$ 2,079</u>	<u>1,439,190</u>
Total capital assets being depreciated, net	<u>960,487</u>			<u>944,367</u>
Governmental activity capital assets, net	<u>\$ 1,194,742</u>			<u>\$ 1,178,622</u>

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Assets (Concluded)

Capital Assets (Concluded)

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

General government	\$ 33,710
Public safety	13,043
Transportation	19,362
Cultural and recreational	7,308
Total depreciation expense	<u>\$ 73,423</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 64,042	\$ -	\$ -	\$ 64,042
Easements	2,208	-	-	2,208
Total capital assets not being depreciated	<u>66,250</u>	<u>-</u>	<u>-</u>	<u>66,250</u>
Capital assets being depreciated:				
Plant and distribution systems	4,646,326	-	-	4,646,326
Furniture and maintenance equipment	190,477	22,723	-	213,200
Vehicles	39,750	-	-	39,750
Total capital assets being depreciated	<u>4,876,553</u>	<u>22,723</u>	<u>-</u>	<u>4,899,276</u>
Less accumulated depreciation for:				
Plant and distribution system	3,751,922	33,654	-	3,785,576
Furniture and maintenance equipment	165,687	7,241	-	172,928
Vehicles	36,750	1,200	-	37,950
Total accumulated depreciation	<u>3,954,359</u>	<u>\$ 42,095</u>	<u>\$ -</u>	<u>3,996,454</u>
Total capital assets being depreciated, net	<u>922,194</u>			<u>902,822</u>
Business-type activities capital assets, net	<u>\$ 988,444</u>			<u>\$ 969,072</u>

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Continued)

reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Star employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Star's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Star were \$31,075 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$78,615 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was .00220%, which was a decrease of 0.00020% from its proportion measured as of June 30, 2019.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$36,150. 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	\$ 9,928	\$ -
Changes of assumptions	5,851	-
Net difference between projected and actual earnings on pension plan investments	11,063	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,335	-
Town contributions subsequent to the measurement date	31,075	-
Total	\$ 64,252	\$ -

\$31,075 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2022	\$ 10,169
2023	12,496
2024	7,235
2025	3,274

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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Continued)

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

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

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

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

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

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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Local Governmental Employees' Retirement System (Concluded)

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 159,502	\$ 78,615	\$ 11,393

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

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Star administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Plan Description (Concluded)

All full-time Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	4
Total	<u>4</u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

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

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

Mortality rates use Pub-2010 amount-weighted tables.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

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

Administration costs of the Separation Allowance are financed through investment earnings. The Town paid no benefits for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$41,638. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$5,387.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,500	\$ 11,827
Changes of assumptions	13,251	430
Total	<u>\$ 16,751</u>	<u>\$ 12,257</u>

There are no deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2022	\$ 1,373
2023	218
2024	(700)
2025	2,208
2026	1,395

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Contributions (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<u>1% Decrease (.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 44,204	\$ 41,638	\$ 39,162

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

	<u>2021</u>
Beginning balance	\$ 23,859
Service Cost	2,906
Interest on the total pension liability	778
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(541)
Changes of assumptions or other inputs	14,636
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ <u>41,638</u>

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

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance (Concluded)

Contributions (Concluded)

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 36,150	\$ 5,387	\$ 41,537
Pension Liability	78,615	41,638	120,253
Proportionate share of the net pension liability	.00220%	n/a	

Deferred Outflows of Resources

Differences between expected and actual experience	9,928	3,500	13,428
Changes of assumptions	5,851	13,251	19,102
Net difference between projected and actual earnings on plan investments	11,063	-	11,063
Changes in proportion and differences between contributions and proportionate share of contributions	6,335	-	6,335
Benefit payments and administrative cost paid subsequent to the measurement date	31,075	-	31,075

Deferred Inflows of Resources

Differences between expected and actual experience	-	11,827	11,827
Changes of assumptions	-	430	430
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Concluded)

Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$11,919 for the reporting year. No amounts were forfeited.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 13,428
Changes of assumptions	19,102
Net difference between projected and actual earnings	11,063
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,335
Town contributions subsequent to the measurement date	31,075
Total	<u>\$ 81,003</u>

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Deferred Outflows and Inflows of Resources (Concluded)

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

	Statement of Net Position	General Fund Balance Sheet
Sanitation receivable (General Fund)	\$ -	\$ 14,303
Taxes receivable (General Fund)	-	27,836
Differences between expected and actual experience	11,827	-
Changes of assumptions	430	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Total	<u>\$ 12,257</u>	<u>\$ 42,139</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar costs levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town is not required to carry flood insurance because the Town is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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 is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Claims, Judgments and Contingent Liabilities

At June 30, 2021, there was no material pending or threatened litigation, claims or assessments involving the Town of Star.

Long-Term Obligations

Installment Purchase

In August 2015, the Town entered into a \$97,500 direct placement contract to finance the purchase of a vehicle and building repair. The financing contract requires annual principal payments beginning in the fiscal year 2017 with an interest rate of 3.625 percent.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$14,821 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 5,982	\$ 2,559
2023	6,199	2,342
2024	6,424	2,117
2025	6,657	1,884
2026	6,898	1,643
2027-2031	38,427	4,276
Totals	<u>\$ 70,587</u>	<u>\$ 14,821</u>

General Obligations Indebtedness

At June 30, 2021, the Town of Star had no bonds authorized but unissued and a legal debt margin of \$4,064,969.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Concluded)

Liabilities (Concluded)

Changes in Long-Term Liabilities

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental Activities:					
Installment Purchase	\$ 76,358	\$ -	\$ 5,771	\$ 70,587	\$ 5,982
Compensated Absences	8,964	9,612	3,627	14,949	14,949
Net pension liability (LGERS)	47,819	10,167	-	57,986	-
Total pension liability (LEO)	23,859	17,779	-	41,638	-
Governmental Activity Long-Term Liabilities	<u>\$ 157,000</u>	<u>\$ 37,558</u>	<u>\$ 9,398</u>	<u>\$ 185,160</u>	<u>\$ 20,931</u>
Business-Type Activities:					
Compensated Absences	\$ 3,595	\$ -	\$ 3,595	\$ -	\$ -
Net pension liability (LGERS)	17,723	2,906	-	20,629	-
Business-Type Activity Long-Term Liabilities	<u>\$ 21,318</u>	<u>\$ 2,906</u>	<u>\$ 3,595</u>	<u>\$ 20,629</u>	<u>\$ -</u>

Note 4 - Interfund Balances and Activity

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

Due to the General Fund from the:

Water and Sewer Fund	\$ 107,119
	<u>\$ 107,119</u>

The interfund balances resulted from the General Fund paying expenditures on behalf of the Water and Sewer Fund in previous years. The Town has been able to reduce the interfund balances each fiscal year since 2016.

TOWN OF STAR, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 5 - Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,178,622	\$ 969,072
Less: Long-term debt	(70,587)	-
Net investment in capital assets	<u>\$ 1,108,035</u>	<u>\$ 969,072</u>

Note 6 - Fund Balance

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

Total fund balance - General Fund	\$ 1,139,846
Less:	
Stabilization by State Statute	203,316
Streets - Powell Bill	69,938
Appropriated Fund Balance in 2021 Budget	<u>127,703</u>
Remaining Fund Balance	<u>\$ 738,889</u>

Note 7 - Joint Venture

The Town participates in a joint venture with Montgomery County and the four other towns in the county in the operating of the Montgomery Municipal Board of Alcoholic Beverage Control. The Board is composed of one board member appointed by each of the five towns in the county. The county does not appoint a board member. Both the Town and the County receive profit distributions from the Board as required by State Statute. The total amount received by the Town for the year ending June 30, 2021 was \$3,307.

Note 8 - Significant Effects of Subsequent Events

The Town has evaluated all subsequent events through November 12, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

TOWN OF STAR, NORTH CAROLINA

TOWN OF STAR'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
 Last Eight Fiscal Years*

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Star's proportion of the net pension liability (asset) (%)	.00220%	.00240%	.00281%	.00262%	.0031%	.0027%	(.0025%)	.0046%
Star's proportion of the net penions liability (asset) (\$)	\$ 78,615	\$ 65,542	\$ 66,663	\$ 40,026	\$ 65,156	\$ 12,297	\$ (14,567)	\$ 55,448
Star's covered-employee payroll	\$ 231,539	\$ 226,556	\$ 223,734	\$ 219,650	\$ 205,034	\$ 181,015	\$ 180,127	\$ 250,704
Star's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.95%	28.93%	29.8%	18.22%	31.78%	6.79%	(8.09%)	22.12%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

TOWN OF STAR, NORTH CAROLINA

TOWN OF STAR'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 25,160	\$ 21,729	\$ 18,543	\$ 17,740	\$ 16,878	\$ 14,241	\$ 13,117	\$ 12,934
Contributions in relation to the contractually required contribution	<u>25,160</u>	<u>21,729</u>	<u>18,329</u>	<u>17,740</u>	<u>16,852</u>	<u>14,258</u>	<u>13,117</u>	<u>12,934</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>214</u>	\$ <u>-</u>	\$ <u>26</u>	\$ <u>(17)</u>	\$ <u>-</u>	\$ <u>-</u>
Star's covered-employee payroll	\$ 238,383	\$ 231,539	\$ 226,556	\$ 223,734	\$ 219,650	\$ 205,034	\$ 181,015	\$ 180,127
Contributions as a percentage of covered-employee payroll	10.55%	9.38%	8.19%	7.93%	7.67%	6.95%	7.25%	7.18%

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

TOWN OF STAR, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 23,859	\$ 24,147	38,312	\$ 19,241	\$ 16,266
Service cost	2,906	2,715	3,169	2,738	2,711
Interest on the total pension liability	778	879	1,211	743	581
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(541)	(4,414)	(17,811)	12,360	-
Changes of assumptions or other inputs	14,636	532	(734)	3,230	(317)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	\$ <u>41,638</u>	\$ <u>23,859</u>	<u>24,147</u>	\$ <u>38,312</u>	\$ <u>19,241</u>

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

TOWN OF STAR, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

June 30, 2021

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 41,638	\$	23,859	\$	24,147	\$	38,312	\$	19,241
Covered payroll	140,777		135,490		151,634		141,951		143,114
Total pension liability as a percentage of covered payroll	29.58%		17.61%		15.92%		26.99%		13.44%

Note to the schedules:

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

TOWN OF STAR, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$	\$ 304,939	\$
Penalties and interest		1,837	
Prior years taxes		6,608	
Total	<u>283,000</u>	<u>313,384</u>	<u>30,384</u>
Unrestricted Intergovernmental:			
Local option sales tax		210,492	
Payment in lieu of taxes		5,080	
Telecommunications sales tax		4,027	
Utilities sales tax		29,941	
Video franchise tax		2,582	
Sales tax refund		4,525	
Gas tax refund		2,481	
Beer and wine excise tax		3,663	
ABC profit distribution		3,307	
Sales and use tax		63,103	
Total	<u>287,933</u>	<u>329,201</u>	<u>41,268</u>
Restricted Intergovernmental:			
Powell bill allocation		28,635	
Fire department allocation		35,000	
Solid waste disposal tax		650	
CARES Act revenue		26,840	
Fire department grant		11,592	
Total	<u>97,268</u>	<u>102,717</u>	<u>5,449</u>
Permits and Fees:			
Fines and permits		90	
Total	<u>90</u>	<u>90</u>	<u>-</u>
Sales and Services:			
Sanitation fees		37,742	
Total	<u>36,000</u>	<u>37,742</u>	<u>1,742</u>
Investment earnings	<u>220</u>	<u>2,211</u>	<u>1,991</u>
Miscellaneous			
Other income		5,970	
Total	<u>5,700</u>	<u>5,970</u>	<u>270</u>
Total Revenues	\$ 710,211	\$ 791,315	\$ 81,104

TOWN OF STAR, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Administration:			
Salaries and employee benefits	\$	\$ 24,367	\$
Professional services		19,756	
Telephone and postage		3,469	
Departmental supplies		4,889	
Insurance and bonds		27,794	
Tax collection fees		1,771	
CARES Act expenses		6,058	
Other operating expenditures		11,397	
Total	<u>105,606</u>	<u>99,501</u>	<u>6,105</u>
Public Buildings:			
Maintenance and repairs		215	
Utilities		10,540	
CARES Act expenses		18,300	
Other operating expenditures		1,383	
Total	<u>42,340</u>	<u>30,438</u>	<u>11,902</u>
Total General Government	<u>147,946</u>	<u>129,939</u>	<u>18,007</u>
Public Safety:			
Police Department:			
Salaries and employee benefits		174,691	
Maintenance and repairs		4,621	
Departmental supplies		6,117	
Vehicle expense		6,072	
Insurance		40,783	
Other operating expenditures		4,439	
Total	<u>249,022</u>	<u>236,723</u>	<u>12,299</u>
Fire Department:			
Salaries and employee benefits		1,056	
Maintenance and repairs		7,391	
Other operating expenditures		3,731	
Capital outlay		23,184	
CARES Act expenses		2,482	
Departmental supplies		7,224	
Total	<u>83,324</u>	<u>45,068</u>	<u>38,256</u>
Total Public Safety	\$ <u>332,346</u>	\$ <u>281,791</u>	\$ <u>50,555</u>

TOWN OF STAR, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Transportation - Streets:			
Streets - Powell Bill:			
Street improvements	\$	\$ 8,000	\$
Maintenance and repairs		1,784	
Street light		1,101	
Supplies		377	
Total	<u>47,300</u>	<u>11,262</u>	<u>36,038</u>
Transportation - Streets:			
Streets - Municipality:			
Salaries and employee benefits		75,286	
Maintenance and repairs		5,502	
Utilities		25,230	
Other operating expenditures		2,431	
Insurance		26,560	
Departmental supplies		3,780	
Capital outlay		6,438	
Total	<u>168,886</u>	<u>145,227</u>	<u>23,659</u>
Total Transportation - Streets	<u>216,186</u>	<u>156,489</u>	<u>59,697</u>
Environmental Protection:			
Sanitation:			
Contracted services		59,326	
Total Environmental Protection	<u>63,000</u>	<u>59,326</u>	<u>3,674</u>
Cultural and Recreational:			
Library:			
Departmental supplies		5,800	
Total	<u>5,800</u>	<u>5,800</u>	<u>-</u>
Parks and Recreation:			
Utilities		2,184	
Maintenance and repairs		2,600	
Supplies		1,894	
Other operating expenditures		93	
Total	<u>11,190</u>	<u>6,771</u>	<u>4,419</u>
Total Cultural and Recreational	\$ <u>16,990</u>	\$ <u>12,571</u>	\$ <u>4,419</u>

TOWN OF STAR, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (concluded):			
Debt Service:			
Principal retirement		5,773	
Interest and other charges		2,768	
Total	<u>8,541</u>	<u>8,541</u>	<u>-</u>
Total Expenditures	<u>785,009</u>	<u>648,657</u>	<u>136,352</u>
Revenues Over (Under) Expenditures	\$ <u>(74,798)</u>	\$ <u>142,658</u>	\$ <u>217,456</u>
Fund Balance Appropriated	<u>74,798</u>	<u>-</u>	<u>(74,798)</u>
Net Change in Fund Balance	\$ <u><u>-</u></u>	142,658	\$ <u><u>142,658</u></u>
Fund Balance, Beginning		<u>997,188</u>	
Fund Balance, Ending		\$ <u><u>1,139,846</u></u>	

TOWN OF STAR, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Water and sewer	\$	\$ 277,683	\$
Taps and connection fees		6,870	
Total Operating Revenues	<u>269,425</u>	<u>284,553</u>	<u>15,128</u>
Nonoperating Revenues:			
Land rent		16,133	
USDA search grant		17,500	
Interest earned on investments		44	
Miscellaneous		2,211	
Insurance recovery		3,905	
Total Nonoperating Revenues	<u>32,285</u>	<u>39,793</u>	<u>7,508</u>
Total Revenues	<u>301,710</u>	<u>324,346</u>	<u>22,636</u>
Expenditures:			
Water:			
Salaries and employee benefits		64,543	
Departmental supplies		16,178	
Postage		2,571	
Water purchase		81,065	
USDA search grant		17,500	
Maintenance and supplies		10,469	
Contracted services		10,085	
Other operating expenditures		482	
Total	<u>241,767</u>	<u>202,893</u>	<u>38,874</u>
Sewer:			
Maintenance and supplies		13,068	
Chemicals		2,933	
Utilities		33,685	
Departmental supplies		12,522	
Other operating expenditures		17,247	
Total	<u>87,210</u>	<u>79,455</u>	<u>7,755</u>
Total Expenditures	<u>\$ 328,977</u>	<u>\$ 282,348</u>	<u>\$ 46,629</u>

TOWN OF STAR, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues Over (Under) Expenditures	\$ (27,267)	\$ 41,998	\$ 69,265
Fund Balance Appropriated	<u>27,267</u>	<u>-</u>	<u>(27,267)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>41,998</u>	<u>\$ 41,998</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling Items:			
Capital outlay		22,723	
Increase (decrease) in accounts receivable recognition		(7,201)	
Increase in deferred outflows of resources-pensions		1,647	
Decrease in accrued vacation pay		3,595	
Increase in net pension liability		(2,906)	
Depreciation		<u>(42,095)</u>	
Total Reconciling Items		<u>(24,237)</u>	
Change in Net Position		<u>\$ 17,761</u>	

TOWN OF STAR, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 315,691	\$ 304,807	\$ 10,884
2019-2020	13,686	-	4,693	8,993
2018-2019	8,756	-	796	7,960
2017-2018	6,834	-	151	6,683
2016-2017	6,707	-	528	6,179
2015-2016	6,071	-	-	6,071
2014-2015	5,508	-	469	5,039
2013-2014	5,859	-	-	5,859
2012-2013	5,955	-	-	5,955
2011-2012	4,041	-	-	4,041
2010-2011	3,788	-	3,788	-
	<u>\$ 67,205</u>	<u>\$ 315,691</u>	<u>\$ 315,232</u>	67,664
Less: Allowance for uncollectible accounts:				
Ad valorem taxes receivable				<u>39,828</u>
Ad valorem taxes receivable - net				<u>\$ 27,836</u>
Reconcilement with Revenues:				
Ad valorem taxes collected:				
General fund			\$	313,384
Reconciling items:				
Interest collected				(1,837)
Taxes written off				4,036
Adjustments				<u>(351)</u>
Total Collections and Credits			\$	<u>315,232</u>

TOWN OF STAR, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****TOWN-WIDE LEVY**

For the Fiscal Year Ended June 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 51,716,557	\$ 0.61	\$ 315,471	\$ 279,056	\$ 36,415
Registered motor vehicles taxed at prior year's rate	-	0.61	-	-	-
Penalties	-		355	355	-
Total Original Levy	<u>51,716,557</u>		<u>315,826</u>	<u>279,411</u>	<u>36,415</u>
Discoveries:					
Current year taxes	-	0.61	-	-	-
Prior year taxes	-	0.61	-	-	-
Penalties	-		-	-	-
Total Discoveries	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	<u>(22,131)</u>	0.61	<u>(135)</u>	<u>(135)</u>	<u>-</u>
Total Property Valuation	<u>\$ 51,694,426</u>				
Net levy			315,691	279,276	36,415
Uncollected taxes at June 30, 2021			<u>10,884</u>	<u>10,884</u>	<u>-</u>
Current year's taxes collected			<u>\$ 304,807</u>	<u>\$ 268,392</u>	<u>\$ 36,415</u>
Current levy collection percentage			<u>96.55%</u>	<u>96.10%</u>	<u>100.00%</u>