

Town of Haw River

Haw River, North Carolina

Audited Financial Statements

Year Ended June 30, 2021



Town of Haw River

Haw River, North Carolina

Audited Financial Statements

Year Ended June 30, 2021

Town of Haw River
Haw River, North Carolina
June 30, 2021

Town Council

Kelly Allen, Mayor

H. Lee Lovette, Mayor Pro-Tem

Steve Lineberry

Patty Wilson

Administrative and Financial Staff

Sean Tencer, Town Manager

Lesley Gonzalez, Finance Director /Town Clerk

**Town of Haw River
Table of Contents
June 30, 2021**

| | <u>Exhibit</u> | <u>Page</u> |
|---|------------------|-------------|
| Financial Section | | |
| Independent Auditors' Report..... | | 1-3 |
| Management's Discussion and Analysis | | 4-10 |
| Basic Financial Statements: | | |
| Government Wide Financial Statements: | | |
| Statement of Net Position..... | 1 | 12 |
| Statement of Activities | 2 | 13 |
| Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds..... | 3 | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 3 | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 4 | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 4 | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 5 | 18 |
| Statement of Fund Net Position – Proprietary Funds | 6 | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds..... | 7 | 20 |
| Statement of Cash Flows – Proprietary Funds | 8 | 21 |
| Notes to the Financial Statements | | 22-48 |
| Required Supplemental Financial Data: | | |
| Schedule of Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System | | 49 |
| Schedule of Contributions – Local Government Employees' Retirement System | | 50 |
| Schedule of Proportionate Share of the Net Pension Liability – Firefighters' and Rescue Squad Workers' Pension | | 51 |
| Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance | | 52 |
| Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance | | 53 |
| Schedule of Changes in the Total OPEB Liability and Related Ratios – Healthcare Benefits Plan | | 54 |
| | <u>Statement</u> | <u>Page</u> |
| Individual Fund Statements and Schedules: | | |
| Governmental Funds: | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 1 | 55-57 |

**Town of Haw River
Table of Contents
June 30, 2021**

| | <u>Statement</u> | <u>Page</u> |
|--|------------------|-------------|
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – From Inception – Granite Mills Renovation Projects Fund | 2 | 58 |
| Proprietary Funds: | | |
| Schedule of Revenues and Expenditures – Budget to Actual - Water and Sewer Fund | 3 | 59-60 |
| Schedule of Revenues and Expenditures – Budget and Actual – From Inception – Lang Street Capital Project Fund | 4 | 61 |
| Schedule of Revenues and Expenditures – Budget to Actual - Stormwater Fund..... | 5 | 62 |
| Other Schedules: | | |
| Schedule of Ad Valorem Taxes Receivable | 6 | 63 |
| Analysis of Current Tax Levy – Town-wide Levy | 7 | 64 |
| Schedule of Net Position – Water and Sewer Fund by Function | 8 | 65 |
| Schedule of Revenues, Expenses, and Changes in Fund Net Position – Water and Sewer Fund by Function | 9 | 66 |
| Schedule of Cash Flows – Water and Sewer Fund by Function | 10 | 67 |
| Compliance Section: | | |
| Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | | 68-69 |

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Haw River, 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 of Haw River's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required supplementary information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2022, on our consideration of the Town of Haw River's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion in internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haw River's internal control over financial reporting and compliance.

Certified Public Accountants
Graham, North Carolina
January 15, 2022

**Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021**

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

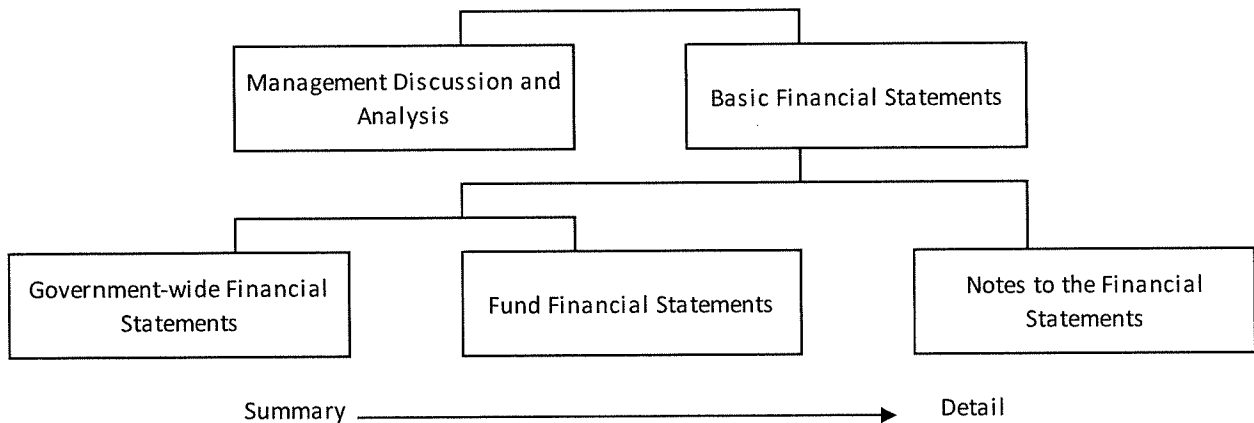
Financial Highlights

- The assets and deferred outflows of resources of the Town of Haw River *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,053,237 (*net position*).
- The government's total net position decreased by \$892,458 due to a *decrease* in the government type net position of \$574,912 and a *decrease* in the business-type activities net position of \$317,546.
- As of the close of the current fiscal year, the Town of Haw River's governmental funds reported combined ending fund balances of \$1,160,617 with a net decrease of \$289,126 in fund balance. Approximately 52.01% of this total amount, or \$603,625, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$556,992, or 17.23% of total general fund expenditures for the fiscal year.
- The Town of Haw River's total debt increased \$1,077,981 due to an increase in the forgivable loan from the North Carolina Department of Commerce and an additional loan for a firetruck and mower offset by principal payments of \$85,594 during the fiscal year.

This discussion and analysis are intended to serve as an introduction to the Town of Haw River'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 Haw River.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021

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 General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town of Haw River'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 of Haw River'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 of Haw River'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 of Haw River's basic services such as public safety and general administration. Utility franchise and excise taxes and sales taxes finance most of these activities. The business-type activities are those that the Town charge customers to provide.

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 of Haw River'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 Haw River, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Haw River can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town'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 Haw River 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 and the management of the Town about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Haw River 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. The Town of Haw River uses two enterprise funds to account for the operations and activity of its water and

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021

sewer fund and stormwater fund. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are 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 Haw River's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

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

Government-Wide Financial Analysis

Figure 2

| | Governmental Activities | | | Business-Type Activities | | | Total | | |
|--|-------------------------|--------------|--------------|--------------------------|--------------|--------------|--------------|--------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Current and other assets | \$ 1,237,969 | \$ 1,524,775 | \$ 3,262,075 | \$ 1,038,911 | \$ 1,141,578 | \$ 1,156,953 | \$ 2,276,880 | \$ 2,666,353 | \$ 4,419,028 |
| Capital assets | 2,304,050 | 1,855,726 | 2,052,824 | 4,180,604 | 4,381,996 | 4,535,669 | 6,484,654 | 6,237,722 | 6,588,493 |
| Notes receivable | 5,000,000 | 4,875,000 | 3,003,530 | - | - | - | 5,000,000 | 4,875,000 | 3,003,530 |
| Deferred outflow s of resources | 653,123 | 423,438 | 430,802 | 111,820 | 61,282 | 60,703 | 764,943 | 484,720 | 491,505 |
| Total assets and deferred outflow s of resources | 9,195,142 | 8,678,939 | 8,749,231 | 5,331,335 | 5,584,856 | 5,753,325 | 14,526,477 | 14,263,795 | 14,502,556 |
| Long-term liabilities outstanding | 7,637,065 | 6,635,268 | 1,778,648 | 1,390,480 | 1,354,028 | 1,347,751 | 9,027,545 | 7,989,296 | 3,126,399 |
| Other liabilities | 194,308 | 150,242 | 157,841 | 129,317 | 119,442 | 126,355 | 323,625 | 269,684 | 284,196 |
| Deferred inflow s of resources | 102,878 | 57,626 | 45,351 | 19,192 | 1,494 | 6,428 | 122,070 | 59,120 | 51,779 |
| Total liabilities and deferred inflow s of resources | 7,934,251 | 6,843,136 | 1,981,840 | 1,538,989 | 1,474,964 | 1,480,534 | 9,473,240 | 8,318,100 | 3,462,374 |
| Net position: | | | | | | | | | |
| Net investment in capital assets | 1,535,898 | 1,683,206 | 1,832,107 | 3,140,391 | 3,305,520 | 3,422,931 | 4,676,289 | 4,988,726 | 5,255,038 |
| Restricted | 571,465 | 1,036,069 | 2,863,820 | 33,295 | 33,295 | 33,295 | 604,760 | 1,069,364 | 2,897,115 |
| Unrestricted | (846,472) | (883,472) | 2,071,464 | 618,660 | 771,077 | 816,565 | (227,812) | (112,395) | 2,888,029 |
| Total net position | \$ 1,260,891 | \$ 1,835,803 | \$ 6,767,391 | \$ 3,792,346 | \$ 4,109,892 | \$ 4,272,791 | \$ 5,053,237 | \$ 5,945,695 | \$ 11,040,182 |

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 resources of the Town of Haw River exceeded liabilities and deferred inflows of resources by \$5,053,237 as of June 30, 2021. The Town's net position decreased by \$892,458 for the fiscal year ended June 30, 2021. However, a large portion (92.5 %) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Haw River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Haw River's net investment in capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Haw River's net position, \$604,760, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$227,812) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a positive tax collection percentage of 98.42%. The statewide average in fiscal year 2020 was 98.96%.
- Increased sales tax and utility revenues of approximately \$37,343 due to economic growth in the Town, despite the impact of the COVID 19 pandemic.
- The special revenue grant fund has now been spent and converted to a forgivable loan.

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021

Town of Haw River's Changes in Net Position
Figure 3

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|--|-------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Revenues: | | | | | | | | | |
| Program revenues: | | | | | | | | | |
| Charges for services | \$ 123,205 | \$ 140,309 | \$ 124,794 | \$ 1,939,336 | \$ 2,028,565 | \$ 1,714,990 | \$ 2,062,541 | \$ 2,168,874 | \$ 1,839,784 |
| Operating grants and contributions | 124,121 | 80,283 | 78,637 | - | - | - | 124,121 | 80,283 | 78,637 |
| Capital grants and contributions | 58,612 | 55,553 | 53,686 | - | - | - | 58,612 | 55,553 | 53,686 |
| General revenues: | | | | | | | | | |
| Property taxes | 973,417 | 724,200 | 704,713 | - | - | - | 973,417 | 724,200 | 704,713 |
| Other taxes | 292,144 | 281,177 | 279,562 | - | - | - | 292,144 | 281,177 | 279,562 |
| Grants and contributions not restricted to specific programs | 839,957 | 802,614 | 792,086 | - | - | - | 839,957 | 802,614 | 792,086 |
| Other | 27,982 | 18,999 | 76,150 | - | - | - | 27,982 | 18,999 | 76,150 |
| Investment earnings | 410 | 18,249 | 35,949 | 752 | 5,502 | 11,464 | 1,162 | 23,751 | 47,413 |
| Total revenues | 2,439,848 | 2,121,384 | 2,145,577 | 1,940,088 | 2,034,067 | 1,726,454 | 4,379,936 | 4,155,451 | 3,872,031 |
| Expenses: | | | | | | | | | |
| General government | 525,387 | 486,913 | 383,038 | - | - | - | 525,387 | 486,913 | 383,038 |
| Public safety | 1,524,557 | 1,312,898 | 1,346,980 | - | - | - | 1,524,557 | 1,312,898 | 1,346,980 |
| Transportation | 573,276 | 133,441 | 160,053 | - | - | - | 573,276 | 133,441 | 160,053 |
| Environmental protection | 120,929 | 118,128 | 115,829 | - | - | - | 120,929 | 118,128 | 115,829 |
| Economic and physical development | 126,745 | 661 | 7,266 | - | - | - | 126,745 | 661 | 7,266 |
| Culture and recreation | 130,085 | 120,757 | 279,579 | - | - | - | 130,085 | 120,757 | 279,579 |
| Interest on long-term debt | 13,781 | 5,174 | 6,881 | - | - | - | 13,781 | 5,174 | 6,881 |
| Water and sewer | - | - | - | 2,224,466 | 2,186,820 | 2,118,774 | 2,224,466 | 2,186,820 | 2,118,774 |
| Stormwater | - | - | - | 33,168 | 10,146 | 16,040 | 33,168 | 10,146 | 16,040 |
| Total expenses | 3,014,760 | 2,177,972 | 2,299,626 | 2,257,634 | 2,196,966 | 2,134,814 | 5,272,394 | 4,374,938 | 4,434,440 |
| Increase (decrease) in net position | (574,912) | (56,588) | (154,049) | (317,546) | (162,899) | (408,360) | (892,458) | (219,487) | (562,409) |
| Net position, July 1 | 1,835,803 | 6,767,391 | 6,921,440 | 4,109,892 | 4,272,791 | 4,681,151 | 5,945,695 | 11,040,182 | 11,602,591 |
| Net position, restated | - | (4,875,000) | - | - | - | - | - | (4,875,000) | - |
| Net position, June 30 | \$ 1,260,891 | \$ 1,835,803 | \$ 6,767,391 | \$ 3,792,346 | \$ 4,109,892 | \$ 4,272,791 | \$ 5,053,237 | \$ 5,945,695 | \$ 11,040,182 |

Note: 2020 Net Position has been restated to reflect prior period adjustments.

Governmental activities. Governmental activities decreased the Town's net position by \$574,912, thereby accounting for 64.42% of the total decrease in the net position of the Town of Haw River. Key elements of this change in net position are as follows:

- Charges for services decreased by \$17,104 over the prior year.
- Property taxes increased \$249,247 over the prior year.
- Expenditures overall increased by \$836,788.

Business-type activities. Business-type activities decreased the Town of Haw River's net position by \$317,546 accounting for 35.58% of the total decrease in the government's net position. Key elements of this change in net position as compared to the prior year are as follows:

- Charges for services decreased \$89,229 due to catching up the accounts receivable in the prior year.
- Expenses for the water and sewer fund increased \$37,646 following the trend of increased cost to provide these services to the citizens of the Town.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Haw River'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 Haw River's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Haw River. At the end of the current fiscal year, the Town of Haw River's fund balance available in the General Fund was \$556,992, while total fund balance reached \$1,160,617. The Town currently has an available fund balance of 17.23 percent of total General Fund expenditures, while total fund balance represents 35.91 percent of that same amount.

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021

At June 30, 2021, the governmental funds of the Town of Haw River reported a combined fund balance of \$1,160,617 with a net decrease in fund balance of \$289,126. Included in this change in fund balance is a decrease in fund balance in the Special Revenue Fund.

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

Revenues were less than the budgeted amounts primarily because tax revenue and grant revenues that the Town originally had expected to receive were significantly less. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$489,701 and for the Stormwater Fund amounted to \$128,959. The total change in net position for the Water and Sewer and the Stormwater Fund were decreases of \$308,341 and \$9,205, respectively. The change in net position of the Water and Sewer Fund has decreased over the prior year due to decreased revenue added to the increase in the expenses. The change in net position of the Stormwater Fund is a result of operating expenses exceeding related revenues for the current operation of this program.

Capital Asset and Debt Administration

Capital assets. The Town of Haw River's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$6,484,654 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities and vehicles.

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

- Fire Truck and related equipment - \$631,812.
- Liquid cooled generator - \$19,450.
- Mower - \$9,388.

Town of Haw River's Capital Assets
(net of depreciation)
Figure 4

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|-----------------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Land | \$ 167,968 | \$ 167,968 | \$ 167,968 | \$ 1,040 | \$ 1,040 | \$ 1,040 | \$ 169,008 | \$ 169,008 | \$ 169,008 |
| Construction in progress | - | - | - | 103,232 | 103,232 | 97,580 | 103,232 | 103,232 | 97,580 |
| Buildings and improvements | 207,075 | 225,488 | 248,009 | - | - | - | 207,075 | 225,488 | 248,009 |
| Equipment, furniture and fixtures | 280,205 | 327,102 | 385,787 | 6,652 | 9,691 | 12,730 | 286,857 | 336,793 | 398,517 |
| Infrastructure | 705,508 | 747,173 | 788,839 | - | - | - | 705,508 | 747,173 | 788,839 |
| Vehicles and motorized equipment | 943,294 | 387,995 | 462,221 | 13,027 | 22,797 | 32,567 | 956,321 | 410,792 | 494,788 |
| Plant and distribution systems | - | - | - | 4,056,653 | 4,245,236 | 4,391,752 | 4,056,653 | 4,245,236 | 4,391,752 |
| Total | \$ 2,304,050 | \$ 1,855,726 | \$ 2,052,824 | \$ 4,180,604 | \$ 4,381,996 | \$ 4,535,669 | \$ 6,484,654 | \$ 6,237,722 | \$ 6,588,493 |

Additional information on the Town's capital assets can be found in note II.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Haw River had total debt outstanding of \$9,219,437. The total of \$684,000 of the Town's debt represents bonds secured by specified revenue sources (e.g. revenue bonds), \$5,000,000 represents the forgivable loan from the North Carolina Department of Commerce.

**Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021**

**Town of Haw River's Outstanding Debt
Figure 5**

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Direct placement installment purchase | \$ 768,152 | \$ 172,520 | \$ 220,717 | \$ 356,213 | \$ 378,476 | \$ 400,738 | \$ 1,124,365 | \$ 550,996 | \$ 621,455 |
| Revenue bonds | - | - | - | 684,000 | 698,000 | 712,000 | 684,000 | 698,000 | 712,000 |
| Forgivable loan - Granite Mills | 5,000,000 | 4,875,000 | - | - | - | - | 5,000,000 | 4,875,000 | - |
| Total OPEB liability | 1,137,872 | 1,058,038 | 1,003,798 | 258,634 | 232,985 | 204,294 | 1,396,506 | 1,291,023 | 1,208,092 |
| Net pension liability (LIGERS) | 479,741 | 330,387 | 295,499 | 119,523 | 72,970 | 54,896 | 599,264 | 403,357 | 350,395 |
| Net pension liability (LEO) | 330,287 | 246,396 | 295,962 | - | - | - | 330,287 | 246,396 | 295,962 |
| Compensated absences | 62,650 | 56,526 | 55,414 | 22,365 | 20,158 | 23,644 | 85,015 | 76,684 | 79,058 |
| Total | \$ 7,778,702 | \$ 6,738,867 | \$ 1,871,390 | \$ 1,440,735 | \$ 1,402,589 | \$ 1,395,572 | \$ 9,219,437 | \$ 8,141,456 | \$ 3,266,962 |

The Town of Haw River's total debt increased by \$1,077,981 (13.24%) during the past fiscal year due additional expenditures of \$125,000 that increase the forgivable loan, a new loan for the fire truck and mower of \$644,963, an increase in OPEB of \$105,483 netted with scheduled principal payments of \$85,594 on bonds, notes, and other long-term payables.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Haw River is \$11,333,778.

Additional information regarding the Town of Haw River's long-term debt can be found in note II.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the activity of the Town of Haw River:

- Despite the effects of the Covid pandemic on the economy, sales tax revenues and other state-shared revenues remained relatively stable during fiscal year 2019-2020. We expect to see some recoveries in fiscal years 2020-2021 and 2021-2022.
- The Town continues to receive increases in the cost of water and sewer service provided by the City of Burlington. In the 2019-2020 fiscal year, that increase was 2% per service. These increases must be passed along to the Town's water and sewer customers plus any inflationary increases needed by the Town.
- The Feds have kept the interest rates at an all-time low; therefore, there has been no relief in interest income. The Town has faced continuing increases in electricity, gas, insurance, and other operational costs without corresponding increases in revenue. For the first time in many years, a tax rate increase is proposed in the 2020-2021 annual budget.
- The Town's workforce has gotten much younger due to the retirement of several senior employees, resulting in lower salary costs. However, this has had a negative impact on the OPEB cost associated with retirees and their benefits.
- The Granite Mill renovation project is 95% complete and scheduled for completion in March 2021. There are 175 apartments, with 83 occupied. The same developer has purchased the Tabadrey Mill and will hopefully begin construction in 2022.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: There are several challenges faced by management when preparing for the fiscal year ending June 30, 2022. We anticipate continued increases in health insurance, workers' compensation insurance, property and liability insurance, and operational costs. We definitely project a significant increase in ad-valorem tax, and hope for economic recovery after Covid in Sales & Use Tax to help offset some of the increases.

Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021

Business-type Activities: We anticipate water and sewer rates in the Town to increase slightly due to an increase of rates by the City of Burlington. The future budget allows for maintenance and repair costs. Two pump stations will be repaired and an \$11,000 Sewer Study will be completed. In the coming years, we will continue the Lang Street Pump Station replacement project

Request for Information

This report is designed to provide an overview of the Town of Haw River's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to the Town Manager, Town of Haw River, 403 East Main Street, Haw River, NC 27258.

**Town of Haw River, North Carolina
Management Discussion and Analysis
June 30, 2021**

This page intentionally blank.

Town of Haw River
Statement of Net Position
June 30, 2021

Exhibit 1

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 629,933 | \$ 653,545 | \$ 1,283,478 |
| Taxes receivable (net) | 34,031 | - | 34,031 |
| Accrued interest receivable on taxes | 2,538 | - | 2,538 |
| Accounts receivable (net) | 18,388 | 309,517 | 327,905 |
| Due from other governments | 234,260 | - | 234,260 |
| Internal balances | 22,263 | (22,263) | - |
| Restricted cash and cash equivalents | 296,556 | 98,112 | 394,668 |
| Total current assets | 1,237,969 | 1,038,911 | 2,276,880 |
| Non-current Assets: | | | |
| Note receivable - Granite Mills | 5,000,000 | - | 5,000,000 |
| Capital assets: | | | |
| Land, non-depreciable improvements, and construction in progress | 167,968 | 104,271 | 272,239 |
| Other capital assets, net of depreciation | 2,136,082 | 4,076,333 | 6,212,415 |
| Total capital assets | 2,304,050 | 4,180,604 | 6,484,654 |
| Total assets | 8,542,019 | 5,219,515 | 13,761,534 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | 653,123 | 111,820 | 764,943 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 40,781 | 12,730 | 53,511 |
| Accrued interest payable | 11,890 | 1,515 | 13,405 |
| Customer deposits | - | 64,817 | 64,817 |
| Compensated absences - current | 62,650 | 13,992 | 76,642 |
| Revenue bonds - current | - | 14,000 | 14,000 |
| Installment obligations - current | 78,987 | 22,263 | 101,250 |
| Total current liabilities | 194,308 | 129,317 | 323,625 |
| Long-term liabilities: | | | |
| Compensated absences - noncurrent | - | 8,373 | 8,373 |
| Revenue bonds - noncurrent | - | 670,000 | 670,000 |
| Installment obligations - noncurrent | 689,165 | 333,950 | 1,023,115 |
| Forgivable Loan - Granite Mills | 5,000,000 | - | 5,000,000 |
| Net pension liability - LGERS | 479,741 | 119,523 | 599,264 |
| Total pension liability - LEOSSA | 330,287 | - | 330,287 |
| Total OPEB liability | 1,137,872 | 258,634 | 1,396,506 |
| Total long-term liabilities | 7,637,065 | 1,390,480 | 9,027,545 |
| Total liabilities | 7,831,373 | 1,519,797 | 9,351,170 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| | 102,878 | 19,192 | 122,070 |
| NET POSITION | | | |
| Net investments in capital assets | 1,535,898 | 3,140,391 | 4,676,289 |
| Restricted for: | | | |
| Transportation | 143,338 | - | 143,338 |
| Public safety | 93,901 | - | 93,901 |
| Cultural and recreational | 59,317 | - | 59,317 |
| Economic development | - | - | - |
| USDA | - | 33,295 | 33,295 |
| Stabilization by State Statute | 274,909 | - | 274,909 |
| Unrestricted | (846,472) | 618,660 | (227,812) |
| Total net position | \$ 1,260,891 | \$ 3,792,346 | \$ 5,053,237 |

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

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

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 525,387 | \$ - | \$ 1,000 | \$ - | \$ (524,387) | \$ - | \$ (524,387) |
| Public safety | 1,524,557 | - | 61,554 | 58,612 | (1,404,391) | - | (1,404,391) |
| Transportation | 573,276 | - | 59,723 | - | (513,553) | - | (513,553) |
| Economic and physical development | 126,745 | - | - | - | (126,745) | - | (126,745) |
| Environmental protection | 120,929 | 118,757 | 1,844 | - | (328) | - | (328) |
| Cultural and recreation | 130,085 | 4,448 | - | - | (125,637) | - | (125,637) |
| Interest on long-term debt | 13,781 | - | - | - | (13,781) | - | (13,781) |
| Total governmental activities | 3,014,760 | 123,205 | 124,121 | 58,612 | (2,708,822) | - | (2,708,822) |
| Business-type activities: | | | | | | | |
| Water and sewer | 2,224,466 | 1,915,373 | - | - | - | (309,093) | (309,093) |
| Stormwater | 33,168 | 23,963 | - | - | - | (9,205) | (9,205) |
| Total business-type activities | 2,257,634 | 1,939,336 | - | - | - | (318,298) | (318,298) |
| Total primary government | \$ 5,272,394 | \$ 2,062,541 | \$ 124,121 | \$ 58,612 | (2,708,822) | (318,298) | (3,027,120) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purpose | | | | | 973,417 | - | 973,417 |
| Property taxes, levied for specific purpose | | | | | 292,144 | - | 292,144 |
| Other taxes | | | | | 839,957 | - | 839,957 |
| Unrestricted investment earnings | | | | | 410 | 752 | 1,162 |
| Miscellaneous | | | | | 27,982 | - | 27,982 |
| Total general revenues | | | | | 2,133,910 | 752 | 2,134,662 |
| Total change in net position | | | | | (574,912) | (317,546) | (892,458) |
| Net position-beginning | | | | | 1,835,803 | 4,109,892 | 5,945,695 |
| Net position-ending | | | | | \$ 1,260,891 | \$ 3,792,346 | \$ 5,053,237 |

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

**Town of Haw River
Balance Sheet
Governmental Funds
June 30, 2021**

Exhibit 3

| | Major Fund - General | Non-Major Funds | Total Governmental Funds |
|---|---------------------------------|----------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 629,933 | \$ - | \$ 629,933 |
| Restricted cash and cash equivalents | 296,556 | - | 296,556 |
| Receivables, (net): | | | - |
| Taxes | 17,412 | - | 17,412 |
| Fire district levy | 16,619 | - | 16,619 |
| Accounts | 18,388 | - | 18,388 |
| Due from other governments | 234,260 | - | 234,260 |
| Due from other funds | 22,263 | - | 22,263 |
| Total assets | <u>\$ 1,235,431</u> | <u>\$ -</u> | <u>\$ 1,235,431</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 40,781 | \$ - | \$ 40,781 |
| Total liabilities | <u>40,781</u> | <u>-</u> | <u>40,781</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 17,413 | - | 17,413 |
| Fire district taxes receivable | 16,620 | - | 16,620 |
| Total deferred inflows of resources | <u>34,033</u> | <u>-</u> | <u>34,033</u> |
| FUND BALANCES | | | |
| Restricted | | | |
| Stabilization by State Statute | 274,909 | - | 274,909 |
| Transportation | 143,338 | - | 143,338 |
| Public safety | 93,901 | - | 93,901 |
| Cultural and recreation | 59,317 | - | 59,317 |
| Economic development | - | - | - |
| Assigned | | | |
| Subsequent year's expenditures | 32,160 | - | 32,160 |
| Unassigned, General Fund | 556,992 | - | 556,992 |
| Total fund balances | <u>1,160,617</u> | <u>-</u> | <u>1,160,617</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,235,431</u> | <u>\$ -</u> | <u>\$ 1,235,431</u> |

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

**Town of Haw River
Balance Sheet
Governmental Funds
June 30, 2021**

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

| | | |
|---|--------------------|----------------------------|
| Total fund balance, governmental funds..... | | \$ 1,160,617 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost..... | 5,973,045 | |
| Accumulated depreciation..... | <u>(3,668,995)</u> | 2,304,050 |
| Deferred outflows of resources related to pensions are not reported in the funds..... | | 395,591 |
| Deferred outflows of resources related to OPEB are not reported in the funds..... | | 257,532 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds. | | |
| Accrued interest receivable on taxes..... | 2,538 | |
| Notes receivable..... | <u>5,000,000</u> | 5,002,538 |
| Earned revenues considered deferred inflows of resources in fund statements..... | | 34,033 |
| Deferred inflows of resources related to pensions are not reported in the funds..... | | (25,278) |
| Deferred inflows of resources related to OPEB are not reported in the funds..... | | (77,600) |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. | | |
| Notes payable..... | (5,768,152) | |
| Compensated absences..... | (62,650) | |
| Net pension liability - LGERS..... | (479,741) | |
| Total pension liability - LEOSA..... | (330,287) | |
| OPEB liability..... | <u>(1,137,872)</u> | (7,778,702) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds..... | | <u>(11,890)</u> |
| Net Position of Governmental Activities..... | | <u>\$ 1,260,891</u> |

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

Town of Haw River **Exhibit 4**
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

| | Major Fund - General | Non-Major Funds | Total Governmental Funds |
|---|---------------------------------|----------------------------|---|
| Revenues: | | | |
| Ad valorem taxes | \$ 968,091 | \$ - | \$ 968,091 |
| Unrestricted intergovernmental | 839,957 | - | 839,957 |
| Restricted intergovernmental | 457,765 | - | 457,765 |
| Sales and services | 123,205 | - | 123,205 |
| Investment earnings | 270 | 140 | 410 |
| Other revenues | 33,347 | - | 33,347 |
| Total revenues | 2,422,635 | 140 | 2,422,775 |
| Expenditures: | | | |
| Current: | | | |
| General government | 497,045 | - | 497,045 |
| Public safety | 1,947,055 | - | 1,947,055 |
| Transportation | 488,667 | - | 488,667 |
| Economic and physical development | - | 126,745 | 126,745 |
| Environmental protection | 116,217 | - | 116,217 |
| Cultural and recreation | 129,081 | - | 129,081 |
| Debt service: | | | |
| Principal | 49,332 | - | 49,332 |
| Interest and other charges | 4,746 | - | 4,746 |
| Total expenditures | 3,232,143 | 126,745 | 3,358,888 |
| Revenues over (under) expenditures | (809,508) | (126,605) | (936,113) |
| Other financing sources (uses): | | | |
| Installment purchase obligations issued | 644,963 | - | 644,963 |
| Sale of capital assets | 2,024 | - | 2,024 |
| Total other financing sources (uses) | 646,987 | - | 646,987 |
| Net change in fund balance | (162,521) | (126,605) | (289,126) |
| Fund balance, beginning | 1,323,138 | 126,605 | 1,449,743 |
| Fund balance, ending | \$ 1,160,617 | \$ - | \$ 1,160,617 |

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

**Town of Haw River
Balance Sheet
Governmental Funds
June 30, 2021**

Exhibit 4

Amounts reported for Governmental Activities in the Statement of Activities are different because:

| | | |
|---|------------------|---------------------|
| Net change in fund balances - total governmental funds | \$ | (289,126) |
| <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..... | \$ 683,900 | |
| Depreciation expense for governmental assets..... | <u>(235,577)</u> | 448,323 |
| Cost of capital asset disposed of during the year, not recognized on modified accrual basis..... | | - |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities..... | | 95,347 |
| Benefit payments paid and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Activities..... | | 19,159 |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities..... | | 58,061 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p> | | |
| Amount of contributed capital..... | - | |
| Change in unavailable revenue for tax revenue..... | 5,192 | |
| Change in accrued interest receivable on taxes..... | <u>134</u> | 5,326 |
| <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> | | |
| New long-term debt issued..... | (644,963) | |
| Principal payments on long-term debt..... | 49,332 | |
| Increase in accrued interest payable..... | <u>(9,036)</u> | (604,667) |
| <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..... | (6,124) | |
| Pension expense..... | (198,163) | |
| OPEB plan expense..... | <u>(103,048)</u> | (307,335) |
| Total changes in net position of governmental activities | | \$ (574,912) |

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

**Town of Haw River
General Fund**

Exhibit 5

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

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|--------------------|---------------------|---|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 936,396 | \$ 957,025 | \$ 968,091 | \$ 11,066 |
| Unrestricted intergovernmental | 714,584 | 879,130 | 839,957 | (39,173) |
| Restricted intergovernmental | 378,909 | 534,933 | 457,765 | (77,168) |
| Sales and services | 124,500 | 124,500 | 123,205 | (1,295) |
| Investment earnings | 5,000 | 5,000 | 270 | (4,730) |
| Other revenues | 8,600 | 37,132 | 33,347 | (3,785) |
| Total revenues | <u>2,167,989</u> | <u>2,537,720</u> | <u>2,422,635</u> | <u>(115,085)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 413,651 | 548,320 | 497,045 | 51,275 |
| Public safety | 1,819,444 | 2,091,742 | 1,947,055 | 144,687 |
| Transportation | 517,947 | 567,947 | 488,667 | 79,280 |
| Environmental protection | 118,500 | 118,500 | 116,217 | 2,283 |
| Cultural and recreation | 134,526 | 134,526 | 129,081 | 5,445 |
| Debt service: | | | | |
| Principal and interest | 109,309 | 109,309 | 54,078 | 55,231 |
| Total expenditures | <u>3,113,377</u> | <u>3,570,344</u> | <u>3,232,143</u> | <u>338,201</u> |
| Revenues over (under) expenditures | <u>(945,388)</u> | <u>(1,032,624)</u> | <u>(809,508)</u> | <u>223,116</u> |
| Other financing sources (uses): | | | | |
| Installment purchase obligations issued | 641,888 | 641,888 | 644,963 | 3,075 |
| Sale of capital assets | 1,000 | 3,025 | 2,024 | (1,001) |
| Transfers in (out) | - | (140,779) | - | 140,779 |
| Contingency | (50,000) | (50,000) | - | 50,000 |
| Total other financing sources (uses) | <u>592,888</u> | <u>454,134</u> | <u>646,987</u> | <u>192,853</u> |
| Appropriated fund balance | <u>352,500</u> | <u>578,490</u> | <u>-</u> | <u>(578,490)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(162,521)</u> | <u>\$ (162,521)</u> |
| Fund balances: | | | | |
| Beginning of year - July 1 | | | <u>1,323,138</u> | |
| End of year - June 30 | | | <u>\$ 1,160,617</u> | |

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

**Town of Haw River
Statement of Net Position
Proprietary Funds
June 30, 2021**

Exhibit 6

| | <u>Water and Sewer Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|---|---------------------------------|----------------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 528,110 | \$ 125,435 | \$ 653,545 |
| Restricted cash and cash equivalents | 98,112 | - | 98,112 |
| Accounts receivable (net) | 305,346 | 4,171 | 309,517 |
| Total current assets | <u>931,568</u> | <u>129,606</u> | <u>1,061,174</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and construction in progress | 104,271 | - | 104,271 |
| Other capital assets, net of depreciation | 4,076,333 | - | 4,076,333 |
| Capital assets (net) | <u>4,180,604</u> | <u>-</u> | <u>4,180,604</u> |
| Total noncurrent assets | <u>4,180,604</u> | <u>-</u> | <u>4,180,604</u> |
| Total assets | <u>5,112,172</u> | <u>129,606</u> | <u>5,241,778</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | 111,820 | - | 111,820 |
| Total deferred outflows of resources | <u>111,820</u> | <u>-</u> | <u>111,820</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 12,083 | 647 | 12,730 |
| Accrued interest payable | 1,515 | - | 1,515 |
| Customer deposits | 64,817 | - | 64,817 |
| Due to other funds | 22,263 | - | 22,263 |
| Compensated absences - current | 13,992 | - | 13,992 |
| Revenue bonds - current | 14,000 | - | 14,000 |
| Installment obligations - current | 22,263 | - | 22,263 |
| Total current liabilities | <u>150,933</u> | <u>647</u> | <u>151,580</u> |
| Noncurrent liabilities: | | | |
| Compensated absences - noncurrent | 8,373 | - | 8,373 |
| Revenue bonds - noncurrent | 670,000 | - | 670,000 |
| Installment obligations - noncurrent | 333,950 | - | 333,950 |
| Net pension liability | 119,523 | - | 119,523 |
| Total OPEB liability | <u>258,634</u> | <u>-</u> | <u>258,634</u> |
| Total noncurrent liabilities | <u>1,390,480</u> | <u>-</u> | <u>1,390,480</u> |
| Total liabilities | <u>1,541,413</u> | <u>647</u> | <u>1,542,060</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | (894) | - | (894) |
| OPEB deferrals | 20,086 | - | 20,086 |
| Total deferred inflows of resources | <u>19,192</u> | <u>-</u> | <u>19,192</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,140,391 | - | 3,140,391 |
| Restricted - USDA | 33,295 | - | 33,295 |
| Unrestricted | 489,701 | 128,959 | 618,660 |
| Total net position | <u>\$ 3,663,387</u> | <u>\$ 128,959</u> | <u>\$ 3,792,346</u> |

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

Town of Haw River **Exhibit 7**
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

| | <u>Water and Sewer Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|---|---------------------------------|----------------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,858,014 | \$ - | \$ 1,858,014 |
| Surcharges | 1,200 | - | 1,200 |
| Taps and connection fees | 20,499 | - | 20,499 |
| Other operating revenues | 35,659 | 23,963 | 59,622 |
| Total operating revenues | <u>1,915,372</u> | <u>23,963</u> | <u>1,939,335</u> |
| OPERATING EXPENSES | | | |
| Administration | 231,647 | - | 231,647 |
| Water distribution | 899,005 | - | 899,005 |
| Sewer collection | 873,257 | - | 873,257 |
| Stormwater | - | 33,168 | 33,168 |
| Depreciation | 201,392 | - | 201,392 |
| Total operating expenses | <u>2,205,301</u> | <u>33,168</u> | <u>2,238,469</u> |
| Operating income (loss) | <u>(289,929)</u> | <u>(9,205)</u> | <u>(299,134)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 752 | - | 752 |
| Interest and other charges | (19,164) | - | (19,164) |
| Total nonoperating revenues (expenses) | <u>(18,412)</u> | <u>-</u> | <u>(18,412)</u> |
| Change in net position | (308,341) | (9,205) | (317,546) |
| Total net position - beginning | 3,971,728 | 138,164 | 4,109,892 |
| Total net position - ending | <u>\$ 3,663,387</u> | <u>\$ 128,959</u> | <u>\$ 3,792,346</u> |

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

Town of Haw River
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 8

| | <u>Water and Sewer Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|---|---------------------------------|----------------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 1,860,142 | \$ 23,849 | \$ 1,883,991 |
| Cash paid for goods and services | (1,426,488) | (33,717) | (1,460,205) |
| Cash paid to or on behalf of employees for services | (529,416) | - | (529,416) |
| Customer deposits received | 3,990 | - | 3,990 |
| Customer deposits refunded | (1,665) | - | (1,665) |
| Other operating revenues | 35,659 | - | 35,659 |
| Net cash provided (used) by operating activities | <u>(57,778)</u> | <u>(9,868)</u> | <u>(67,646)</u> |
| Cash flows from capital and related financing activities | | | |
| Acquisition and construction of capital assets | - | - | - |
| Principal paid on direct placement installment purchase obligations | (22,263) | - | (22,263) |
| Principal paid on bond maturities | (14,000) | - | (14,000) |
| Interest paid on bond maturities | (19,195) | - | (19,195) |
| Net cash provided (used) by capital and related financing activities | <u>(55,458)</u> | <u>-</u> | <u>(55,458)</u> |
| Cash flows from investing activities | | | |
| Interest and dividends | 752 | - | 752 |
| Net cash provided (used) by investing activities | <u>752</u> | <u>-</u> | <u>752</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(112,484)</u> | <u>(9,868)</u> | <u>(122,352)</u> |
| Balances - beginning | 738,706 | 135,303 | 874,009 |
| Balances - ending | <u>\$ 626,222</u> | <u>\$ 125,435</u> | <u>\$ 751,657</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | <u>\$ (289,929)</u> | <u>\$ (9,205)</u> | <u>\$ (299,134)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 201,392 | - | 201,392 |
| Changes in assets, deferred outflows and inflows of resources, and liabilities: | | | |
| (Increase) decrease in accounts receivable, net | (19,571) | (114) | (19,685) |
| (Increase) decrease in deferred outflows of resources - pensions | (50,538) | - | (50,538) |
| Increase (decrease) in accounts payable and accrued liabilities | 6,436 | (549) | 5,887 |
| Increase (decrease) in customer deposits | 2,325 | - | 2,325 |
| Increase (decrease) in accrued vacation payable | 2,207 | - | 2,207 |
| Increase (decrease) in pension liability | 46,553 | - | 46,553 |
| Increase (decrease) in OPEB liability | 25,649 | - | 25,649 |
| Increase (decrease) in deferred inflows of resources - pensions | (894) | - | (894) |
| Increase (decrease) in deferred inflows of resources - OPEB | 18,592 | - | 18,592 |
| Total adjustments | <u>232,151</u> | <u>(663)</u> | <u>231,488</u> |
| Net cash provided (used) by operating activities | <u>\$ (57,778)</u> | <u>\$ (9,868)</u> | <u>\$ (67,646)</u> |

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

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Haw River ("the Town") is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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 fund:

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

The Town reports the following non-major governmental fund:

Granite Mills Renovation Special Revenue Fund. This fund is used to account for grant funds that are restricted for the renovation of Granite Mills.

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. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

The Town reports the following non-major enterprise fund:

Stormwater Fund – This fund is used to account for the Town's stormwater program operations.

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund 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 nonoperating 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 and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Haw River because the tax is levied by Alamance 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 may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first

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

apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Granite Mills Renovation Special Revenue Fund and the Enterprise Fund Capital Project Fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The Town does not have a formal investment or credit risk policy.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Monies donated to the Town by the Haw River Civic Center Association, Inc., are classified as restricted cash because they can only be expended for maintenance, upkeep and enhancement to the Haw River Civic Center Building per the term of the agreement with the donor organization. Federal forfeiture funds are also classified as restricted cash because it can be expended only for activities to enhance future investigation; law enforcement training, equipment and operations; detention facilities; law enforcement facilities and equipment; and drug education and awareness programs per 21 U.S.C. 881 (e)(1)(A) and (e)(3), 18 U.S.C. 981(e)(2), and 19 U.S.C. 1616a. State authorized substance tax funds are classified as restricted because it can be expended only for activities to enhance the Town's police department's ability to deter and investigate crimes, especially drug offences per G.S. 105-113.105 through 105-113-113. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

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

Town of Haw River Restricted Cash

| | | |
|--------------------------------|-------------------------|-------------------|
| Governmental Activities | | |
| General Fund | Public safety | \$ 93,901 |
| | Cultural and recreation | 59,317 |
| | Transportation | 143,338 |
| Total Governmental Activities | | <u>296,556</u> |
| Business-type Activities | | |
| Water and Sewer Fund | Customer deposits | 64,817 |
| | USDA Reservation | 33,295 |
| Total Business-type Activities | | <u>98,112</u> |
| Total Restricted Cash | | <u>\$ 394,668</u> |

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town's General Fund and Water and Sewer Fund inventories consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when purchased rather than when consumed.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment, \$500. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------------|-------------------------------|
| Buildings and improvements | 25 - 40 |
| Plant and distribution system | 40 |
| Infrastructure | 15 - 40 |
| Equipment and furniture | 5 - 15 |
| Vehicles | 5 - 30 |
| Computer equipment and software | 3 - 5 |

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are

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

either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for law enforcement activities as well as fire department capital reserve monies from a percentage of the fire tax.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by a donor organization for maintenance, upkeep and enhancement of the Haw River Civic Center Building.

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

Assigned Fund Balance – portion of fund balance that the Town of Haw River 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 authorized the manager to transfer amounts up to \$1,000 between functional areas, including contingency appropriations, within the same fund.

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

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

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

The Town of Haw River has not adopted a minimum fund balance policy for the general fund.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (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 Haw River's employer contributions are recognized when due and the Town of Haw River 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2021 the Town's deposits had a carrying amount of \$205,313, and a bank balance of \$288,119. 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 \$250.

2. Investments

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

| <u>Investments by Type</u> | <u>Valuation Measurement Method</u> | <u>Book Value at 6/30/2021</u> | <u>Maturity</u> | <u>Rating</u> |
|-----------------------------|---|------------------------------------|-----------------|---------------|
| NC Capital Management Trust | | | | |
| - Governmental Portfolio | Fair Value-Level 1 | \$ 1,472,583 | N/A | AAAm |
| Total | | <u>\$ 1,472,583</u> | | |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk – The Town has no formal investment policy regarding interest rate risk.

Credit Risk – The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021.

Concentration of Credit Risk – The Town's Council places no limit on the amount that the Town may invest in any one issuer. For the year ended June 30, 2021, there were no investments in commercial paper that totaled more than 5 percent of the Town's investments.

3. Receivables – Allowances for Doubtful Accounts

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

| | |
|---------------------------------|------------------|
| General Fund: | |
| Taxes receivable - allowance | \$ 9,074 |
| Fire Districts levy - allowance | 2,268 |
| Garbage receivable - allowance | 8,084 |
| Total | <u>19,426</u> |
| Enterprise Funds: | |
| Accounts receivable | 38,660 |
| Total allowances | <u>\$ 58,086</u> |

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

4. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-------------------------------|-------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 167,968 | \$ - | \$ - | \$ 167,968 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>167,968</u> | <u>-</u> | <u>-</u> | <u>167,968</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 914,199 | - | - | 914,199 |
| Equipment, furniture and fixtures | 1,676,439 | 49,088 | - | 1,725,527 |
| Infrastructure | 1,596,692 | - | - | 1,596,692 |
| Vehicles and motorized equipment | 956,704 | 634,813 | 22,858 | 1,568,659 |
| Total capital assets being depreciated | <u>5,144,034</u> | <u>683,901</u> | <u>22,858</u> | <u>5,805,077</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 688,711 | 18,413 | - | 707,124 |
| Equipment, furniture and fixtures | 1,349,337 | 95,985 | - | 1,445,322 |
| Infrastructure | 849,519 | 41,665 | - | 891,184 |
| Vehicles and motorized equipment | 568,709 | 79,514 | 22,858 | 625,365 |
| Total accumulated depreciation | <u>3,456,276</u> | <u>\$ 235,577</u> | <u>\$ 22,858</u> | <u>3,668,995</u> |
| Total capital assets being depreciated, net | <u>1,687,758</u> | | | <u>2,136,082</u> |
| Governmental activity capital assets, net | <u><u>\$ 1,855,726</u></u> | | | <u><u>\$ 2,304,050</u></u> |

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

| | |
|----------------------------|--------------------------|
| General government | \$ 13,762 |
| Public safety | 137,957 |
| Transportation | 74,194 |
| Recreation | 4,953 |
| Environmental protection | 4,711 |
| Total depreciation expense | <u><u>\$ 235,577</u></u> |

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

Capital asset activity for the Business-type Activities for the year ended June 30, 2021, was as follows:

| Business-type activities: | Beginning | | | Ending |
|---|---------------------|-------------------|------------------|---------------------|
| <i>Water and Sewer Fund</i> | Balances | Increases | Decreases | Balances |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,040 | \$ - | \$ - | \$ 1,040 |
| Construction in progress | 103,232 | - | - | 103,232 |
| Total capital assets not being depreciated | <u>104,272</u> | - | - | <u>104,272</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 9,286,867 | - | - | 9,286,867 |
| Equipment, furniture and fixtures | 209,171 | - | - | 209,171 |
| Vehicles and motorized equipment | 81,042 | - | - | 81,042 |
| Total capital assets being depreciated | <u>9,577,080</u> | - | - | <u>9,577,080</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 5,041,631 | 188,583 | - | 5,230,214 |
| Equipment, furniture and fixtures | 199,480 | 3,039 | - | 202,519 |
| Vehicles and motorized equipment | 58,245 | 9,770 | - | 68,015 |
| Total accumulated depreciation | <u>5,299,356</u> | <u>\$ 201,392</u> | <u>\$ -</u> | <u>5,500,748</u> |
| Total capital assets being depreciated, net | <u>4,277,724</u> | | | <u>4,076,332</u> |
| Business-type activities capital assets, net | <u>\$ 4,381,996</u> | | | <u>\$ 4,180,604</u> |

The Town has active construction projects as of June 30, 2021. However, at year-end, the Town had no active construction commitments with contractors.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Haw River 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 Haw River's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Haw River were \$95,347 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 \$599,264 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.01677%, which was an increase of .002% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the Town recognized pension expense of \$210,861. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 75,676 | \$ - |
| Changes of assumptions | 44,597 | - |
| Net difference between projected and actual earnings on pension plan investments | 84,330 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 21,933 | 1,403 |
| Town contributions subsequent to the measurement date | 106,001 | - |
| Total | <u>\$ 332,537</u> | <u>\$ 1,403</u> |

\$95,347 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|-----------|
| Year ended June 30: | |
| 2022 | \$ 65,564 |
| 2023 | 82,811 |
| 2024 | 51,801 |
| 2025 | 24,957 |
| 2026 | - |
| Thereafter | - |

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

| | |
|---------------------------|--|
| Inflation | 3.0 percent |
| Salary increases | 3.5 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.0 percent, net of pension plan investment expense, including inflation |

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

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

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

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

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:

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

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

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) | \$ 1,215,840 | \$ 599,264 | \$ 86,845 |

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 (ACFR) for the State of North Carolina.

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Haw River administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

| | | |
|--|----|--|
| Retirees receiving benefits | 3 | |
| Terminated plan members entitled to but not yet receiving benefits | - | |
| Active plan members | 9 | |
| Total | 12 | |

Summary of Significant Accounting Policies:

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

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

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

| | | |
|------------------|---|--|
| Inflation | 2.5 percent | |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor | |
| Discount rate | 1.93 percent | |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. Mortality rates are based on the Pub-2010 amount-weighted tables with adjustments projected forward generationally from the valuation date using MP-2019.

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. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$39,511 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$330,287. 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 \$43,251.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 24,142 | \$ 19,579 |
| Changes of assumptions | 73,057 | 3,401 |
| Town benefit payments and plan administrative expense subsequent to the measurement date | 19,159 | - |
| Total | <u>\$ 116,358</u> | <u>\$ 22,980</u> |

\$19,159 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|-----------|
| 2022 | \$ 22,311 |
| 2023 | 14,665 |
| 2024 | 16,203 |
| 2025 | 20,828 |
| 2026 | 212 |
| Thereafter | - |

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

| | <u>1% Decrease (0.93%)</u> | <u>Discount Rate (1.93%)</u> | <u>1% Increase (2.93%)</u> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 358,411 | \$ 330,297 | \$ 304,717 |

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

| | <u>2021</u> |
|---|-------------------|
| Beginning Balance | \$ 246,396 |
| Service Cost | 12,874 |
| Interest on the total pension liability | 7,369 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 20,488 |
| Changes of assumptions or other inputs | 83,864 |
| Benefit payments | (40,704) |
| Other changes | - |
| Ending Balance of the total pension liability | <u>\$ 330,287</u> |

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

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

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

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

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

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|---|--------------|---------------|--------------|
| Pension Expense | \$ 210,861 | \$ 43,251 | \$ 254,112 |
| Pension Liability | 599,264 | 330,287 | 929,551 |
| Proportionate share of the net pension liability | 0.01677% | n/a | |
| <u>Deferred Outflows of Resources</u> | | | |
| Differences between expected and actual experience | 75,676 | 24,142 | 99,818 |
| Changes of assumptions | 44,597 | 73,057 | 117,654 |
| Net difference between projected and actual earnings on plan investments | 84,330 | - | 84,330 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 21,933 | - | 21,933 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 106,001 | 19,159 | 125,160 |
| <u>Deferred Inflows of Resources</u> | | | |
| Differences between expected and actual experience | - | 19,579 | 19,579 |
| Changes of assumptions | - | 3,401 | 3,401 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,403 | - | 1,403 |

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 (ACFR) for the State of North Carolina. The State's ACFR 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. Contributions for the year ended June 30, 2021 were \$21,409, which consisted of \$19,986 from the Town and \$1,423, respectively, from the law enforcement officers.

c. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by The Prudential Insurance Company of America. The Plan provides retirement benefits to non-law enforcement officers employed by the Town who are members of the Local Governmental Employees' Retirement System. The Town Council has the authority for establishing or amending the plan's provisions.

Funding Policy. The Town contributes an amount equal to five percent of each employees' salary, and all amounts are vested immediately. The employees may make voluntary contributions to the plan. The Town Council has the authority for establishing or amending contribution requirements. Contributions for the year

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

ended June 30, 2021 were \$41,361, which consisted of \$30,710 from the Town and \$10,651, respectively, from the employees.

e. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Haw River, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's Pension Fund is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The State's ACFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town is not required to contribute to the Fund; however, as a benefit to the firefighters, the Town has chosen to fund the member's contributions. Contribution provisions are established by General Statute 58- 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,302,000 to the plan. The Town of Haw River's proportionate share of the State's contribution is \$9,724.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2021, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$24,292. 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$4,174 and revenue of \$4,174 for support provided by the State. At June 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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:

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | Not applicable |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan noted above.

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.

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 (ACFR) for the State of North Carolina.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan), health care benefits to retirees of the Town, provided they retire under the provisions set forth under the north Carolina Local Governmental Employees' Retirement System (NCLGERS) and are eligible for continuation of the same coverage in the Town's group health insurance plan until the retiree becomes eligible for Medicare. Health care and prescription drug coverage are provided through the purchase of individual health insurance plans for each retiree. The Town subsidizes this coverage until the retiree becomes eligible for Medicare.

The Town's contribution to the cost of coverage for eligible retirees is based on the following:

The Town will pay the percentage of premium for coverage for employees hired before August 1, 2010 based on the following schedule:

| <u>Years of Service at Retirement</u> | <u>Town Contribution</u> |
|---|------------------------------|
| 20 or more | 100% |
| 15-19 | 75% |
| 10-14 | 50% |
| 5-9 | 25% |

The Town will pay the percentage of premium for coverage for employees hired on or after August 1, 2010 based on the following schedule:

| <u>Years of Service at Retirement</u> | <u>Town Contribution</u> |
|---|------------------------------|
| 30 or more | 100% |
| 25-29 | 75% |
| 20-24 | 50% |

Employees with five or more years of Town service who retire under disability will have 100% of the health plan premium paid by the Town.

**Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

| | General Employees | Law Enforcement Officers |
|--|------------------------------|-------------------------------------|
| Retirees and dependents receiving benefits | 3 | 3 |
| Active plan members | 16 | 7 |
| Total | 19 | 10 |

Total OPEB Liability

The Town's total OPEB liability of \$1,396,506 was measured as of June 30, 2020 and was determined by an actuarial valuation at that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | | |
|-----------------------------|---|--|
| Inflation | 2.5 percent | |
| Salary increases | 3.5 to 7.75 percent, including inflation | |
| Discount rate | 2.21 percent | |
| Healthcare cost trend rates | Pre-Medicare 7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030 | |

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|---------------------------------|
| Beginning balance | \$ 1,291,023 |
| Changes for the year: | |
| Service Cost | 59,465 |
| Interest | 45,946 |
| Changes of benefit terms | - |
| Changes between expected and actual experience | (98,146) |
| Changes in assumptions or other inputs | 174,375 |
| Benefit payments | (76,157) |
| Net changes | 105,483 |
| Ending balance | \$ 1,396,506 |

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS. Ther remaining actuarial assumptions (e.g. initial per capita costs, heath care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of a recent plan experience done concurrently with the June 30, 2020 valuation.

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

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

| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|--------------------------------------|--|--------------------------------------|
| Total OPEB liability | \$ 1,529,639 | \$ 1,396,506 | \$ 1,277,061 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------|--------------------|----------------------|--------------------|
| Total OPEB liability | \$ 1,244,489 | \$ 1,396,506 | \$ 1,578,864 |

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$122,314. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 53,308 | \$ 88,161 |
| Changes of assumptions | 202,962 | 9,524 |
| Town benefit payments and plan administrative expense subsequent to the measurement date | 59,778 | - |
| Total | \$ 316,048 | \$ 97,685 |

\$59,778 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|-----------|
| 2022 | \$ 16,903 |
| 2023 | 26,737 |
| 2024 | 27,256 |
| 2025 | 27,256 |
| 2026 | 27,256 |
| Thereafter | 33,177 |

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

2. Other Employee Benefits

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

3. Deferred Outflows and Inflows of Resources

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

| Source | Amount |
|---|-------------------|
| Pensions- differences between expected and actual experience | \$ 99,818 |
| Pensions- changes of assumptions | 117,654 |
| Pensions- difference between projected and actual earnings | 84,330 |
| Pensions- changes in proportion and differences between employer contributions and proportionate share of contributions | 21,933 |
| Contributions to pension plan in current fiscal year | 106,001 |
| Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date | 19,159 |
| OPEB- differences between expected and actual experience | 53,308 |
| OPEB- changes of assumptions | 202,962 |
| Benefit payments and administrative expenses for OPEB made subsequent to measurement date | 59,778 |
| Total | \$ 764,943 |

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

| Source | Statement of Net Position | General Fund Balance Sheet |
|---|----------------------------------|-----------------------------------|
| Taxes receivable, less penalties (General Fund) | \$ - | \$ 34,033 |
| Pensions- differences between expected and actual experience | 19,579 | - |
| Pensions- changes in assumptions | 3,401 | - |
| Pensions- changes in proportion and differences between employer contributions and proportionate share of contributions | 1,403 | - |
| OPEB- differences between expected and actual experience | 88,161 | |
| OPEB- changes in assumptions | 9,524 | |
| Total | \$ 122,068 | \$ 34,033 |

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

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage up to \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town has blanket coverage up to \$5 million in flood insurance as long as it is in NFIP Flood Map Zones B, C, and X; outside of these zones, there is no coverage. There is a \$50,000 deductible.

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 and the town clerk and other employees are covered under \$10,000 bond through a blanket policy.

5. Claims, Judgements and Contingent Liabilities

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

6. Long-Term Obligations

a. Capital Leases

The Town did not have any leases outstanding that were considered to be capital in nature.

b. Installment Purchases

Governmental Activities:

In April 2017, the Town entered into a \$134,031 direct placement contract to finance a 2017 Freightliner Grapple Truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 7 annual payments of \$20,511 beginning in fiscal year 2017 with an interest rate of 1.75%.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$2,064 of interest, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|------------------|-----------------|
| 2022 | \$ 19,480 | \$ 1,031 |
| 2023 | 19,821 | 690 |
| 2024 | 19,603 | 343 |
| Total | <u>\$ 58,904</u> | <u>\$ 2,064</u> |

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

In November 2018, the Town entered into a \$88,225 direct placement contract to finance two police vehicles. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 7 annual payments of \$14,633 beginning in fiscal year 2020 with an interest rate of 3.875%.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$7,795 of interest, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|------------------|-----------------|
| 2022 | \$ 12,100 | \$ 2,533 |
| 2023 | 12,569 | 2,064 |
| 2024 | 13,056 | 1,577 |
| 2025 | 13,559 | 1,074 |
| 2026 | 13,000 | 547 |
| Total | <u>\$ 64,284</u> | <u>\$ 7,795</u> |

In September 2020, the Town entered into a \$644,963 lease purchase agreement to finance a 2020 E-One Custom Typhoon Rescue Pumper, related equipment, and a 2020 Toro mower. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 12 annual payments of \$61,941 beginning in fiscal year 2021 with an interest rate of 2.250%.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$98,325 of interest, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|-------------------|------------------|
| 2022 | \$ 47,407 | \$ 14,534 |
| 2023 | 48,475 | 13,466 |
| 2024 | 49,567 | 12,373 |
| 2025 | 50,684 | 11,256 |
| 2026 | 51,827 | 10,114 |
| 2027-2031 | 277,186 | 32,517 |
| 2032-2033 | 119,818 | 4,065 |
| Total | <u>\$ 644,964</u> | <u>\$ 98,325</u> |

Business-type Activities:

In May 2017, the Town entered into a \$445,265 direct placement contract with the North Carolina Department of Environmental Quality to finance sanitary sewer rehabilitation improvements. The financing contract requires 20 annual payments of \$22,263 beginning in fiscal year 2018 with no interest. This debt is not secured.

Annual debt service payments of the installment purchase as of June 30, 2021 are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> |
|----------------------------|-------------------|
| 2022 | \$ 22,263 |
| 2023 | 22,263 |
| 2024 | 22,263 |
| 2025 | 22,263 |
| 2026 | 22,263 |
| 2027-2031 | 111,317 |
| 2032-2036 | 111,317 |
| 2037-2038 | 22,264 |
| Total | <u>\$ 356,213</u> |

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

c. Revenue Bond

\$774,000 Water and Sewer Revenue Bond, Series 2012 issues for sanitary sewer system improvements. Principal installments are due annually on June 1, beginning June 2015 with annual interest payments beginning June 2013, at an annual interest rate of 2.75%.

Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|-------------------|-------------------|
| 2022 | \$ 14,000 | \$ 18,810 |
| 2023 | 15,000 | 18,425 |
| 2024 | 15,000 | 18,013 |
| 2025 | 15,000 | 17,600 |
| 2026 | 16,000 | 17,188 |
| 2027-2031 | 86,000 | 79,144 |
| 2032-2036 | 99,000 | 66,604 |
| 2037-2041 | 113,000 | 52,276 |
| 2042-2046 | 130,000 | 35,779 |
| 2047-2051 | 149,000 | 16,914 |
| 2052-2053 | 32,000 | 880 |
| Total | <u>\$ 684,000</u> | <u>\$ 341,633</u> |

The following table summarizes the annual requirements to amortize all long-term liabilities outstanding at June 30, 2021 (excluding compensated absences, pension liabilities, OPEB liabilities, and any claims or judgments).

| <u>Serviced by General Fund:</u> | <u>General Obligation Bonds</u> | | <u>Other Long-Term Indebtedness</u> | | <u>Total Debt Due</u> | |
|----------------------------------|-------------------------------------|-----------------|---|-------------------|-----------------------|-------------------|
| | <u>Principle</u> | <u>Interest</u> | <u>Principle</u> | <u>Interest</u> | <u>Principle</u> | <u>Interest</u> |
| Fiscal Year | | | | | | |
| 2022 | \$ - | \$ - | \$ 78,987 | \$ 18,098 | \$ 78,987 | \$ 18,098 |
| 2023 | - | - | 80,865 | 16,220 | 80,865 | 16,220 |
| 2024 | - | - | 82,226 | 14,293 | 82,226 | 14,293 |
| 2025 | - | - | 64,243 | 12,330 | 64,243 | 12,330 |
| 2026 | - | - | 64,827 | 10,661 | 64,827 | 10,661 |
| 2027-2031 | - | - | 277,186 | 32,517 | 277,186 | 32,517 |
| 2032-2036 | - | - | 119,818 | 4,065 | 119,818 | 4,065 |
| 2037-2041 | - | - | - | - | - | - |
| 2042-2046 | - | - | - | - | - | - |
| 2047-2051 | - | - | - | - | - | - |
| 2052-2053 | - | - | - | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 768,152</u> | <u>\$ 108,184</u> | <u>\$ 768,152</u> | <u>\$ 108,184</u> |

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

Serviced by Water & Sewer Fund:

| Fiscal Year | Principle | Interest | Principle | Interest | Principle | Interest |
|-------------|-------------------|-------------------|-------------------|-------------|---------------------|-------------------|
| 2022 | \$ 14,000 | \$ 18,810 | \$ 22,263 | \$ - | \$ 36,263 | \$ 18,810 |
| 2023 | 15,000 | 18,425 | 22,263 | - | 37,263 | 18,425 |
| 2024 | 15,000 | 18,013 | 22,263 | - | 37,263 | 18,013 |
| 2025 | 15,000 | 17,600 | 22,263 | - | 37,263 | 17,600 |
| 2026 | 16,000 | 17,188 | 22,263 | - | 38,263 | 17,188 |
| 2027-2031 | 86,000 | 79,144 | 111,317 | - | 197,317 | 79,144 |
| 2032-2036 | 99,000 | 66,604 | 111,317 | - | 210,317 | 66,604 |
| 2037-2041 | 113,000 | 52,276 | 22,264 | - | 135,264 | 52,276 |
| 2042-2046 | 130,000 | 35,779 | - | - | 130,000 | 35,779 |
| 2047-2051 | 149,000 | 16,914 | - | - | 149,000 | 16,914 |
| 2052-2053 | 32,000 | 880 | - | - | 32,000 | 880 |
| | <u>\$ 684,000</u> | <u>\$ 341,633</u> | <u>\$ 356,213</u> | <u>\$ -</u> | <u>\$ 1,040,213</u> | <u>\$ 341,633</u> |

At June 30, 2021, the Town of Haw River had bonds authorized but unissued of \$738,000 and a legal debt margin of \$11,333,778.

d. Changes in Long-Term Liabilities

| | Beginning Balances | Increases | Decreases | Ending Balances | Current Portion of Balance |
|--|---------------------|---------------------|-------------------|---------------------|----------------------------|
| Governmental activities: | | | | | |
| Direct Placement Installment purchases | \$ 172,520 | \$ 644,963 | \$ 49,331 | \$ 768,152 | \$ 78,987 |
| Forgivable Loan - Granite Mills | 4,875,000 | 125,000 | - | 5,000,000 | - |
| Compensated absences | 56,526 | 73,039 | 66,915 | 62,650 | 62,650 |
| Total OPEB liability | 1,058,038 | 79,834 | - | 1,137,872 | - |
| Net pension liability (LGERS) | 330,387 | 149,354 | - | 479,741 | - |
| Total pension liability (LEOSSA) | 246,396 | 83,891 | - | 330,287 | - |
| Governmental activity long-term liabilities | <u>\$ 6,738,867</u> | <u>\$ 1,156,081</u> | <u>\$ 116,246</u> | <u>\$ 7,778,702</u> | <u>\$ 141,637</u> |
| Business-type activities: | | | | | |
| Revenue Bonds | \$ 698,000 | \$ - | \$ 14,000 | \$ 684,000 | \$ 14,000 |
| Direct Placement Installment purchases | 378,476 | - | 22,263 | 356,213 | 22,263 |
| Compensated absences | 20,158 | 13,992 | 11,785 | 22,365 | 13,992 |
| Total OPEB liability | 232,985 | 25,649 | - | 258,634 | - |
| Net pension liability (LGERS) | 72,970 | 46,553 | - | 119,523 | - |
| Business-type activity long-term liabilities | <u>\$ 1,402,589</u> | <u>\$ 86,194</u> | <u>\$ 48,048</u> | <u>\$ 1,440,735</u> | <u>\$ 50,255</u> |

C. Interfund Balances and Activity

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

Due to the General Fund for the allocation of costs from the Water and Sewer Fund \$ 22,263

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

D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$4,174, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2021. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

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

E. Net Investment in Capital Assets

| | Governmental | Business-type |
|----------------------------------|---------------------|----------------------|
| Capital assets | \$ 2,304,050 | \$ 4,180,604 |
| Less: Long-term debt | 768,152 | 1,040,213 |
| Net investment in capital assets | \$ 1,535,898 | \$ 3,140,391 |

F. 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 | \$ 1,160,617 |
| Less: Stabilization by State Statute | (274,909) |
| Streets - Powell Bill | (143,338) |
| Public Safety | (93,901) |
| Cultural and Recreation | (59,317) |
| Appropriated in 2022 budget | (32,160) |
| Remaining fund balance | \$ 556,992 |

III. Jointly Governed Organization

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member and one alternate if they so desire, to the Council's governing board. The Town paid \$550 in general membership fees to the Council during the fiscal years ended June 30, 2021.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

In accordance with ASC 855, the Town evaluated subsequent events through January 15, 2022 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Haw River, North Carolina
Required Supplementary Information
Town of Haw River's Proportionate Share of Net Pension Liability (Asset)
Last Eight Fiscal Years *
June 30, 2021

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|-------------|-------------|-------------|
| Haw River's proportion of the net pension liability (asset) (%) | 0.0168% | 0.0148% | 0.0148% | 0.0148% | 0.0131% |
| Haw River's proportion of the net pension liability (asset) (\$) | \$ 599,264 | \$ 403,357 | \$350,395 | \$225,797 | \$277,177 |
| Haw River's covered payroll | \$ 1,111,313 | \$ 1,129,476 | \$890,724 | \$838,049 | \$823,716 |
| Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 53.92% | 35.71% | 39.34% | 26.94% | 33.65% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 92.60% | 91.63% | 94.18% | 91.47% | 98.09% |
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | | |
| Haw River's proportion of the net pension liability (asset) (%) | 0.0159% | -0.0200% | 0.0200% | | |
| Haw River's proportion of the net pension liability (asset) (\$) | \$ 71,448 | \$ (92,000) | \$186,835 | | |
| Haw River's covered payroll | \$ 900,346 | \$ 867,546 | \$829,947 | | |
| Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 7.94% | -10.60% | 22.51% | | |
| Plan fiduciary net position as a percentage of the total pension liability ** | 99.07% | 102.64% | 94.35% | | |

Notes to the Required Schedules

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

**Town of Haw River, North Carolina
Required Supplementary Information
Town of Haw River's Contributions
Eight Fiscal Years *
June 30, 2021**

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 106,001 | \$ 95,347 | \$ 80,593 | \$ 69,403 | \$ 63,188 |
| Contributions in relation to the contractually required contribution | <u>106,001</u> | <u>95,347</u> | <u>80,593</u> | <u>69,403</u> | <u>63,188</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Haw River's covered payroll | \$ 1,145,753 | \$ 1,111,313 | \$ 1,129,476 | \$ 890,724 | \$ 838,049 |
| Contributions as a percentage of covered payroll | 9.25% | 8.58% | 7.14% | 7.79% | 7.54% |

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|
| Contractually required contribution | \$ 56,447 | \$ 64,795 | \$ 62,013 |
| Contributions in relation to the contractually required contribution | <u>56,447</u> | <u>64,795</u> | <u>62,013</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Haw River's covered payroll | \$ 823,716 | \$ 900,346 | \$ 867,546 |
| Contributions as a percentage of covered payroll | 6.85% | 7.20% | 7.15% |

Notes to the Required Schedules

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Haw River, North Carolina
Required Supplementary Information
Town of Haw River's Proportionate Share of Net Pension Liability
Last Seven Fiscal Years *
June 30, 2021

Firefighters' and Rescue Squad Workers' Pension

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|-----------------|
| Haw River's proportionate share of the net pension liability (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Haw River's proportionate share of the net pension liability (\$) | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Town of Haw River | <u>24,292</u> | <u>27,736</u> | <u>23,012</u> | <u>24,002</u> | <u>9,738</u> |
| Total | <u>\$ 24,292</u> | <u>\$ 27,736</u> | <u>\$ 23,012</u> | <u>\$ 24,002</u> | <u>\$ 9,738</u> |
| Haw River's covered payroll | \$ 194,868 | \$ 170,616 | \$ 167,847 | \$ 124,029 | \$ 128,712 |
| Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 12.47% | 16.26% | 13.71% | 19.35% | 7.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 0.00% | 89.69% | 89.35% | 84.94% | 91.40% |
| | <u>2016</u> | <u>2015</u> | | | |
| Haw River's proportionate share of the net pension liability (%) | 0.00% | 0.00% | | | |
| Haw River's proportionate share of the net pension liability (\$) | \$ - | \$ - | | | |
| State's proportionate share of the net pension liability associated with the Town of Haw River | <u>9,668</u> | <u>8,052</u> | | | |
| Total | <u>\$ 9,668</u> | <u>\$ 8,052</u> | | | |
| Haw River's covered payroll | \$ 129,704 | \$ 154,476 | | | |
| Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 7.45% | 5.21% | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 93.42% | 92.76% | | | |

Town of Haw River, North Carolina
Required Supplementary Information
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 | \$ 246,396 | \$ 295,962 | \$ 320,959 | \$ 298,424 | \$ 325,121 |
| Service cost | 12,874 | 8,571 | 8,917 | 7,827 | 7,671 |
| Interest on the total pension liability | 7,369 | 10,032 | 9,499 | 10,724 | 10,880 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 20,488 | (33,513) | 6,308 | 31,244 | - |
| Changes of assumptions or other inputs | 83,864 | 6,048 | (9,017) | 13,966 | (4,544) |
| Benefit payments | (40,704) | (40,704) | (40,704) | (41,226) | (40,704) |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 330,287</u> | <u>\$ 246,396</u> | <u>\$ 295,962</u> | <u>\$ 320,959</u> | <u>\$ 298,424</u> |

Notes to the Required Schedules

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

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Haw River, 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 | \$ 330,287 | \$ 246,396 | \$ 295,962 | \$ 320,959 | \$ 298,424 |
| Covered payroll | 406,701 | 315,489 | 320,611 | 306,270 | 353,791 |
| Total pension liability as a percentage of covered payroll | 81.21% | 78.10% | 92.31% | 104.80% | 84.35% |

Notes to the Required Schedules

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

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Haw River, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2021

| <u>Total OPEB Liability</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Service cost | \$ 59,465 | \$ 55,053 | \$ 40,930 | \$ 43,992 |
| Interest | 45,946 | 45,610 | 36,283 | 31,564 |
| Changes of benefit terms | - | - | 44,800 | - |
| Differences between expected and actual experience | (98,146) | 12,121 | 69,775 | (6,480) |
| Changes of assumptions or other inputs | 174,375 | 42,045 | 26,819 | (45,804) |
| Benefit payments | <u>(76,157)</u> | <u>(71,898)</u> | <u>(58,873)</u> | <u>(46,752)</u> |
| Net change in total OPEB liability | 105,483 | 82,931 | 159,734 | (23,480) |
| Total OPEB liability - beginning | <u>1,291,023</u> | <u>1,208,092</u> | <u>1,048,358</u> | <u>1,071,838</u> |
| Total OPEB liability - ending | <u>\$ 1,396,506</u> | <u>\$ 1,291,023</u> | <u>\$ 1,208,092</u> | <u>\$ 1,048,358</u> |
| | | | | |
| Covered payroll | \$ 1,038,668 | \$ 901,226 | \$ 901,226 | \$ 751,096 |
| Total OPEB liability as a percentage of covered payroll | 134.45% | 143.25% | 134.05% | 139.58% |

Notes to the Required Schedules

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

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

General Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2021

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

| | 2021 | | Variance Positive (Negative) | 2020 |
|---|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Ad valorem taxes: | | | | |
| Current year | \$ 909,396 | \$ 921,125 | \$ 11,729 | \$ 686,789 |
| Prior years | 37,629 | 38,029 | 400 | 9,043 |
| Penalties and interest | 10,000 | 8,937 | (1,063) | 23,315 |
| Total | <u>957,025</u> | <u>968,091</u> | <u>11,066</u> | <u>719,147</u> |
| Unrestricted intergovernmental: | | | | |
| Local option sales taxes | 655,222 | 578,927 | (76,295) | 545,676 |
| Hold harmless distribution | 65,608 | 106,578 | 40,970 | 102,461 |
| Utility franchise tax | 147,800 | 144,060 | (3,740) | 143,909 |
| Beer and wine tax | 10,500 | 10,391 | (109) | 10,568 |
| Total | <u>879,130</u> | <u>839,957</u> | <u>(39,173)</u> | <u>802,614</u> |
| Restricted intergovernmental: | | | | |
| Powell Bill allocation | 62,000 | 59,723 | (2,277) | 62,150 |
| Alamance County fire district tax | 279,909 | 292,144 | 12,235 | 281,177 |
| Federal grants | 97,368 | 59,612 | (37,756) | 29,203 |
| State grants | 50,000 | - | (50,000) | - |
| Care Act Funding | 43,656 | 43,656 | - | - |
| Equitable share of Federally forfeited property | - | - | - | 26,350 |
| Unauthorized substance tax | - | 785 | 785 | 209 |
| Solid waste disposal tax | 2,000 | 1,844 | (156) | 1,860 |
| Total | <u>534,933</u> | <u>457,765</u> | <u>(77,168)</u> | <u>400,949</u> |
| Sales and services: | | | | |
| Rentals | 7,900 | 3,580 | (4,320) | 11,888 |
| Recreation department fees | 2,000 | 868 | (1,133) | 3,137 |
| Refuse collection fees | 114,600 | 118,757 | 4,157 | 125,285 |
| Total | <u>124,500</u> | <u>123,205</u> | <u>(1,295)</u> | <u>140,309</u> |
| Investment earnings | | | | |
| | <u>5,000</u> | <u>270</u> | <u>(4,730)</u> | <u>17,766</u> |
| Other revenues: | | | | |
| Police Department | 2,500 | 3,217 | 717 | 4,730 |
| Park donations | - | - | - | - |
| Fire department | 500 | 4,174 | 3,674 | 11,334 |
| Other revenues | 34,132 | 25,956 | (8,176) | 13,250 |
| Total | <u>37,132</u> | <u>33,347</u> | <u>(3,785)</u> | <u>29,315</u> |
| Total revenues | <u>2,537,720</u> | <u>2,422,634</u> | <u>(115,086)</u> | <u>2,110,100</u> |

General Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2021

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

| | 2021 | | Variance Positive (Negative) | 2020 |
|--------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | | Actual |
| Expenditures | | | | |
| General government | | | | |
| Governing body: | | | | |
| Salaries and employee benefits | \$ 10,852 | \$ 8,817 | \$ 2,035 | \$ 9,664 |
| Other operating expenditures | 2,500 | 903 | 1,597 | 708 |
| Capital outlay | - | - | - | - |
| Total | 13,352 | 9,720 | 3,632 | 10,372 |
| Administration: | | | | |
| Salaries and employee benefits | 141,805 | 125,991 | 15,814 | 104,380 |
| Maintenance | 2,000 | 559 | 1,441 | 1,282 |
| Other operating expenditures | 233,211 | 217,836 | 15,375 | 185,428 |
| Capital outlay | - | - | - | - |
| Total | 377,016 | 344,386 | 32,630 | 291,090 |
| Public Buildings: | | | | |
| Other operating expenditures | 39,400 | 27,823 | 11,577 | 37,691 |
| Capital outlay | - | - | - | - |
| Total | 39,400 | 27,823 | 11,577 | 37,691 |
| Non-departmental: | | | | |
| Special compensation | 9,852 | 9,914 | (62) | 5,463 |
| Insurance and bonds | 89,000 | 89,396 | (396) | 97,297 |
| Total | 98,852 | 99,310 | (458) | 102,760 |
| Special appropriations: | | | | |
| Elections | 2,000 | - | 2,000 | 1,869 |
| Cemetery association | 1,000 | 1,000 | - | 1,000 |
| Animal shelter | 16,700 | 14,803 | 1,897 | 16,694 |
| Total | 19,700 | 15,803 | 3,897 | 19,563 |
| Total General Government | 548,320 | 497,042 | 51,278 | 461,476 |
| Public safety | | | | |
| Police: | | | | |
| Salaries and employee benefits | 735,457 | 668,613 | 66,844 | 619,511 |
| Vehicle maintenance | 32,700 | 28,188 | 4,512 | 34,743 |
| Other operating expenditures | 94,140 | 109,789 | (15,649) | 66,489 |
| Capital outlay | 105,160 | 38,651 | 66,509 | 32,116 |
| Total | 967,457 | 845,241 | 122,216 | 752,859 |
| Fire: | | | | |
| Salaries and employee benefits | 363,397 | 358,177 | 5,220 | 332,655 |
| Vehicle maintenance | 42,768 | 38,292 | 4,476 | 27,172 |
| Other operating expenditures | 48,920 | 69,485 | (20,565) | 55,736 |
| Capital outlay | 669,200 | 635,862 | 33,338 | 819 |
| Total | 1,124,285 | 1,101,816 | 22,469 | 416,382 |
| Total Public safety | 2,091,742 | 1,947,057 | 144,685 | 1,169,241 |

General Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2021

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

| | 2021 | | Variance Positive (Negative) | 2020 |
|---|--------------------|--------------------|------------------------------------|--------------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Transportation | | | | |
| Streets and highways: | | | | |
| Salaries and employee benefits | \$ 103,197 | \$ 106,660 | \$ (3,463) | \$ 12,825 |
| Vehicle maintenance | 6,500 | 4,971 | 1,529 | 3,650 |
| Street lights | 27,200 | 17,207 | 9,993 | 16,781 |
| Contracted services | 1,500 | 318,520 | (317,020) | (230) |
| Other operating expenditures | 179,550 | 41,309 | 138,241 | 26,206 |
| Capital outlay | 250,000 | - | 250,000 | - |
| Total Transportation | <u>567,947</u> | <u>488,667</u> | <u>79,280</u> | <u>59,232</u> |
| Environmental protection | | | | |
| Solid waste: | | | | |
| Contracted services | 118,500 | 116,153 | 2,347 | 113,416 |
| Other operating expenditures | - | 64 | (64) | - |
| Total Environmental protection | <u>118,500</u> | <u>116,217</u> | <u>2,283</u> | <u>113,416</u> |
| Culture and recreation | | | | |
| Parks and recreation: | | | | |
| Salaries and employee benefits | 80,793 | 86,330 | (5,537) | 84,840 |
| Vehicle maintenance | 3,800 | 3,746 | 54 | 2,701 |
| Other operating expenditures | 34,045 | 29,617 | 4,428 | 23,823 |
| Capital outlay | 15,888 | 9,388 | 6,500 | - |
| Total Culture and recreation | <u>134,526</u> | <u>129,081</u> | <u>5,445</u> | <u>111,364</u> |
| Debt service: | | | | |
| Principal | 109,309 | 49,332 | 59,977 | 48,197 |
| Interest | - | 4,746 | (4,746) | 5,881 |
| Total Debt service | <u>109,309</u> | <u>54,078</u> | <u>55,231</u> | <u>54,078</u> |
| Total expenditures | <u>3,570,344</u> | <u>3,232,142</u> | <u>338,202</u> | <u>1,968,807</u> |
| Revenues Over (Under) Expenditures | <u>(1,032,624)</u> | <u>(809,508)</u> | <u>223,116</u> | <u>141,293</u> |
| Other Financing Sources (Uses) | | | | |
| Installment purchase obligations issued | 641,888 | 644,963 | 3,075 | - |
| Sales of capital assets | 3,025 | 2,024 | (1,001) | 5,750 |
| Transfers out | (140,779) | - | 140,779 | - |
| Contingency | (50,000) | - | 50,000 | - |
| Total other financing sources (uses) | <u>454,134</u> | <u>646,987</u> | <u>192,853</u> | <u>5,750</u> |
| Fund balance appropriated | <u>578,490</u> | <u>-</u> | <u>(578,490)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(162,521)</u> | <u>\$ (162,521)</u> | <u>147,043</u> |
| Fund balance - beginning | | <u>1,323,138</u> | | <u>1,176,095</u> |
| Fund balance - ending | | <u>\$1,160,617</u> | | <u>\$1,323,138</u> |

Town of Haw River, North Carolina
Granite Mills Renovation Special Revenue Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

Statement 2

| | Project Authori- zation | Actual | | | Variance Positive (Negative) |
|---|-------------------------------|-------------------|------------------|------------------|------------------------------------|
| | | Prior Year | Current Year | Total To Date | |
| Revenues | | | | | |
| Restricted intergovernmental | | | | | |
| NC Dept of Commerce Grant | \$ 5,000,000 | \$ 5,000,000 | \$ - | \$ 5,000,000 | \$ - |
| Investment earnings | - | 9,532 | 140 | 9,672 | 9,672 |
| Total revenues | <u>5,000,000</u> | <u>5,009,532</u> | <u>140</u> | <u>5,009,672</u> | <u>9,672</u> |
| Expenditures | | | | | |
| Reimbursable Expenses | 5,000,000 | 4,875,000 | 125,000 | 5,000,000 | - |
| Construction Expenses | - | - | 1,385 | 1,385 | (1,385) |
| Grant/Loan Admin | - | 7,927 | 360 | 8,287 | (8,287) |
| Total expenditures | <u>5,000,000</u> | <u>4,882,927</u> | <u>126,745</u> | <u>5,009,672</u> | <u>(9,672)</u> |
| Revenues under expenditures | <u>-</u> | <u>126,605</u> | <u>(126,605)</u> | <u>-</u> | <u>19,344</u> |
| Other financing sources (uses): | | | | | |
| Transfer from Water and Sewer Fund | - | - | - | - | - |
| Debt proceeds | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other financing sources over (under) uses | <u>\$ -</u> | <u>\$ 126,605</u> | <u>(126,605)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, July 1 | | | 126,605 | | |
| Fund balance, June 30 | | | <u>\$ -</u> | | |

Town of Haw River, North Carolina
Proprietary Fund Type - Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Statement 3

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|---------------------------------|------------------|------------------|---|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Water sales | \$1,289,309 | \$1,140,881 | \$ (148,428) | \$ 1,228,251 |
| Sewer charges | 803,526 | 717,133 | (86,393) | 716,453 |
| Surcharges | 900 | 1,200 | 300 | 1,200 |
| Total | <u>2,093,735</u> | <u>1,859,214</u> | <u>(234,521)</u> | <u>1,945,904</u> |
| Taps and connection fees | 20,499 | 20,499 | - | 21,041 |
| Other operating revenues | 32,805 | 35,659 | 2,854 | 35,600 |
| Total operating revenues | <u>2,147,039</u> | <u>1,915,372</u> | <u>(231,667)</u> | <u>2,002,545</u> |
| Nonoperating revenues: | | | | |
| Interest on investments | 2,100 | 752 | (1,348) | 5,502 |
| Total nonoperating revenues | <u>2,100</u> | <u>752</u> | <u>(1,348)</u> | <u>5,502</u> |
| Total revenues | <u>2,149,139</u> | <u>1,916,124</u> | <u>(233,015)</u> | <u>2,008,047</u> |
| Expenditures: | | | | |
| Administration: | | | | |
| Salaries and employee benefits | 154,226 | 156,387 | (2,161) | 376,773 |
| Supplies and materials | 3,000 | 1,595 | 1,405 | 2,221 |
| Contracted services | 15,000 | 13,999 | 1,001 | 11,133 |
| Other operating expenses | 51,000 | 43,963 | 7,037 | 25,736 |
| Capital outlay | - | - | - | - |
| Total | <u>223,226</u> | <u>215,944</u> | <u>7,282</u> | <u>415,863</u> |
| Water distribution: | | | | |
| Salaries and employee benefits | 95,314 | 87,680 | 7,634 | 71,228 |
| Supplies | 3,500 | 2,640 | 860 | 41,688 |
| Maintenance | 4,500 | 6,017 | (1,517) | 1,534 |
| Water purchased for resale | 714,400 | 705,380 | 9,020 | 682,234 |
| Other operating expenditures | 87,500 | 87,449 | 51 | 36,352 |
| Capital outlay | - | - | - | - |
| Total | <u>905,214</u> | <u>889,166</u> | <u>16,048</u> | <u>833,036</u> |
| Sewer collection system: | | | | |
| Salaries and employee benefits | 146,701 | 134,864 | 11,837 | 109,027 |
| Supplies | 4,500 | 2,218 | 2,282 | 6,201 |
| Maintenance | 7,500 | 13,574 | (6,074) | 2,907 |
| Purchase of sewer service | 623,584 | 600,160 | 23,424 | 518,833 |
| Other operating expenditures | 74,800 | 106,412 | (31,612) | 42,212 |
| Capital outlay | 25,000 | - | 25,000 | 42,103 |
| Total | <u>882,085</u> | <u>857,228</u> | <u>24,857</u> | <u>721,283</u> |

Town of Haw River, North Carolina
Proprietary Fund Type - Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Statement 3

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|---|------------------|---------------------|---|---------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Expenditures (continued): | | | | |
| Debt service: | | | | |
| Principal | \$ 94,487 | \$ 36,263 | \$ 58,224 | \$ 36,263 |
| Interest | - | 19,195 | (19,195) | 19,580 |
| Total | <u>94,487</u> | <u>55,458</u> | <u>39,029</u> | <u>55,843</u> |
| Total expenditures | <u>2,105,012</u> | <u>2,017,796</u> | <u>87,216</u> | <u>2,026,025</u> |
| Revenues over (under) expenditures | <u>44,127</u> | <u>(101,672)</u> | <u>(145,799)</u> | <u>(17,978)</u> |
| Other financing sources (uses): | | | | |
| Appropriated fund balance | - | - | - | - |
| Contingency | (44,127) | - | 44,127 | - |
| Total | <u>(44,127)</u> | <u>-</u> | <u>44,127</u> | <u>-</u> |
| Revenue and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ (101,672)</u> | <u>\$ (101,672)</u> | <u>\$ (17,978)</u> |
| Reconciliation of modified accrual basis to full accrual basis: | | | | |
| Revenue and other sources over (under) expenditures and other uses | | \$ (101,672) | | \$ (17,978) |
| Reconciling items: | | | | |
| Principal retirement | | 36,263 | | 36,263 |
| Capital outlay | | - | | 42,103 |
| Depreciation | | (201,392) | | (201,428) |
| (Increase) decrease in accrued vacation | | (2,208) | | 3,487 |
| Increase (decrease) in deferred outflows of resources - pensions | | 20,750 | | (11,728) |
| (Increase) decrease in net pension liability | | (46,553) | | (18,073) |
| (Increase) decrease in deferred inflows of resources- pensions | | 894 | | 1,352 |
| Increase (decrease) in deferred outflows of resources - OPEB | | 29,788 | | 12,307 |
| (Increase) decrease in OPEB liability | | (25,650) | | (28,691) |
| (Increase) decrease in deferred inflows of resources- OPEB | | (18,592) | | 3,582 |
| (Increase) decrease in accrued interest payable | | 31 | | 31 |
| Total reconciling items | | <u>(206,669)</u> | | <u>(160,795)</u> |
| Change in net position | | <u>\$ (308,341)</u> | | <u>\$ (178,773)</u> |

Town of Haw River, North Carolina
 Lang Street Capital Project Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 From Inception and For the Year Ended June 30, 2021

Statement 4

| | Project Authori- zation | Actual | | | Variance Positive (Negative) |
|---|-------------------------------|---------------------|-----------------|---------------------|------------------------------------|
| | | Prior Year | Current Year | Total To Date | |
| Revenues | | | | | |
| NC DENR grant | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | | |
| Engineering | 140,000 | 103,231 | - | 103,231 | 36,769 |
| Construction administration | 110,000 | - | - | - | 110,000 |
| Permitting | 5,000 | - | - | - | 5,000 |
| Reimbursable Expenses | 5,000 | - | - | - | 5,000 |
| Grant/Loan Admin | 30,000 | - | - | - | 30,000 |
| | <u>290,000</u> | <u>103,231</u> | <u>-</u> | <u>103,231</u> | <u>186,769</u> |
| Total expenditures | <u>290,000</u> | <u>103,231</u> | <u>-</u> | <u>103,231</u> | <u>186,769</u> |
| Revenues under expenditures | <u>(290,000)</u> | <u>(103,231)</u> | <u>-</u> | <u>(103,231)</u> | <u>(186,769)</u> |
| Other financing sources (uses): | | | | | |
| Transfer from Water and Sewer Fund | - | - | - | - | - |
| Debt proceeds | 290,000 | - | - | - | (290,000) |
| | <u>290,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(290,000)</u> |
| Revenues and other financing sources over (under) uses | <u>\$ -</u> | <u>\$ (103,231)</u> | <u>\$ -</u> | <u>\$ (103,231)</u> | <u>\$ (103,231)</u> |

Town of Haw River, North Carolina
Proprietary Fund Type - Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Statement 5

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|---|-----------------|-------------------|---|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Stormwater fees | \$ 25,700 | \$ 23,963 | \$ (1,737) | \$ 26,020 |
| Total operating revenues | <u>25,700</u> | <u>23,963</u> | <u>(1,737)</u> | <u>26,020</u> |
| Total revenues | <u>25,700</u> | <u>23,963</u> | <u>(1,737)</u> | <u>26,020</u> |
| Expenditures: | | | | |
| Stormwater expenditures | 40,700 | 33,168 | 7,532 | 10,146 |
| Total expenditures | <u>40,700</u> | <u>33,168</u> | <u>7,532</u> | <u>10,146</u> |
| Revenues over (under) expenditures | <u>(15,000)</u> | <u>(9,205)</u> | <u>5,795</u> | <u>15,874</u> |
| Other financing sources (uses): | | | | |
| Appropriated fund balance | 15,000 | - | (15,000) | - |
| Total | <u>15,000</u> | <u>-</u> | <u>(15,000)</u> | <u>-</u> |
| Revenue and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ (9,205)</u> | <u>\$ (9,205)</u> | <u>\$ 15,874</u> |

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

Statement 6

| <u>Fiscal Year</u> | <u>Uncollected Balance 6/30/2020</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance 6/30/2021</u> |
|---|--|-------------------|------------------------------------|--|
| 2020-2021 | \$ - | \$ 953,027 | \$ 937,993 | \$ 15,034 |
| 2019-2020 | 12,317 | - | 9,419 | 2,898 |
| 2018-2019 | 3,954 | - | 1,903 | 2,051 |
| 2017-2018 | 1,661 | - | 586 | 1,075 |
| 2016-2017 | 556 | - | 1 | 555 |
| 2015-2016 | 599 | - | - | 599 |
| 2014-2015 | 578 | - | - | 578 |
| 2013-2014 | 1,344 | - | 44 | 1,300 |
| 2012-2013 | 1,080 | - | 33 | 1,047 |
| 2011-2012 | 1,416 | - | 68 | 1,348 |
| 2010-2011 | 963 | - | 963 | - |
| | <u>\$ 24,468</u> | <u>\$ 953,027</u> | <u>\$ 951,010</u> | <u>26,485</u> |
| | | | | <u>9,074</u> |
| | | | | <u>\$ 17,411</u> |
| Reconciliation with revenues: | | | | |
| Ad valorem taxes - General Fund | | | \$ | 968,091 |
| Add (subtract): | | | | |
| Interest collected | | | | (8,937) |
| Other adjustments | | | | (9,107) |
| Amount written off for tax year 2010-2011 | | | | 963 |
| Total collections and credits | | | <u>\$</u> | <u>951,010</u> |

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

Statement 7

| | Town - Wide | | | Total Levy | |
|---|------------------------------|--------------------|--------------------------|--------------------------|--------------------------|
| | <u>Total Property</u> | | <u>Amount of</u> | <u>Property</u> | |
| | <u>Valuation</u> | <u>Rate</u> | <u>Levy</u> | <u>Excluding</u> | <u>Registered</u> |
| | | | | <u>Motor</u> | <u>Motor</u> |
| | | | | <u>Vehicles</u> | <u>Vehicles</u> |
| Tax levy: | | | | | |
| Real property | \$ 151,407,355 | 0.48 | \$ 953,687 | \$ 833,437 | \$ 120,250 |
| Abatements | <u>(133,228)</u> | 0.48 | <u>(660)</u> | <u>(660)</u> | <u>-</u> |
| Total property valuation | <u>\$ 151,274,127</u> | | <u>953,027</u> | <u>832,777</u> | <u>120,250</u> |
| Uncollected taxes at June 30, 2020 | | | <u>15,034</u> | <u>14,196</u> | <u>838</u> |
| Current year taxes collected | | | <u>\$ 937,993</u> | <u>\$ 818,581</u> | <u>\$ 119,412</u> |
| Current levy collection percentage | | | <u>98.42%</u> | <u>98.30%</u> | <u>99.30%</u> |

Town of Haw River
Schedule of Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2021

Statement 8

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,039,064 | \$ (510,954) | \$ 528,110 |
| Restricted cash and cash equivalents | 39,800 | 58,312 | 98,112 |
| Accounts receivable (net) | 187,492 | 117,854 | 305,346 |
| Total current assets | <u>1,266,356</u> | <u>(334,788)</u> | <u>931,568</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and construction in progress | - | 104,271 | 104,271 |
| Other capital assets, net of depreciation | 2,161,371 | 1,914,962 | 4,076,333 |
| Capital assets (net) | <u>2,161,371</u> | <u>2,019,233</u> | <u>4,180,604</u> |
| Total noncurrent assets | <u>2,161,371</u> | <u>2,019,233</u> | <u>4,180,604</u> |
| Total assets | <u>3,427,728</u> | <u>1,684,444</u> | <u>5,112,172</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | 68,661 | 43,159 | 111,820 |
| Total deferred outflows of resources | <u>68,661</u> | <u>43,159</u> | <u>111,820</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 7,419 | 4,664 | 12,083 |
| Accrued interest payable | - | 1,515 | 1,515 |
| Customer deposits | 39,800 | 25,017 | 64,817 |
| Due to other funds | - | 22,263 | 22,263 |
| Compensated absences - current | 8,592 | 5,400 | 13,992 |
| Revenue bonds - current | - | 14,000 | 14,000 |
| Installment obligations - current | - | 22,263 | 22,263 |
| Total current liabilities | <u>55,811</u> | <u>95,122</u> | <u>150,933</u> |
| Noncurrent liabilities: | | | |
| Compensated absences - noncurrent | 5,141 | 3,232 | 8,373 |
| Revenue bonds - noncurrent | - | 670,000 | 670,000 |
| Installment obligations - noncurrent | - | 333,950 | 333,950 |
| Net pension liability | 73,391 | 46,132 | 119,523 |
| Total OPEB liability | <u>158,810</u> | <u>99,824</u> | <u>258,634</u> |
| Total noncurrent liabilities | <u>237,342</u> | <u>1,153,138</u> | <u>1,390,480</u> |
| Total liabilities | <u>293,153</u> | <u>1,248,260</u> | <u>1,541,413</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | (549) | (345) | (894) |
| OPEB deferrals | 12,333 | 7,753 | 20,086 |
| Total deferred inflows of resources | <u>11,785</u> | <u>7,407</u> | <u>19,192</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,161,371 | 979,019 | 3,140,390 |
| Restricted - USDA | - | 33,295 | 33,295 |
| Unrestricted | 1,030,081 | (540,379) | 489,702 |
| Total net position | <u>\$ 3,191,452</u> | <u>\$ 471,935</u> | <u>\$ 3,663,387</u> |

Town of Haw River
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2021

Statement 9

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,140,881 | \$ 717,133 | \$ 1,858,014 |
| Surcharges | - | 1,200 | 1,200 |
| Taps and connection fees | 20,499 | - | 20,499 |
| Other operating revenues | 21,896 | 13,763 | 35,659 |
| Total operating revenues | <u>1,183,276</u> | <u>732,096</u> | <u>1,915,372</u> |
| OPERATING EXPENSES | | | |
| Administration | 142,238 | 89,409 | 231,647 |
| Water distribution | 899,005 | - | 899,005 |
| Sewer collection | - | 873,257 | 873,257 |
| Depreciation | 123,662 | 77,730 | 201,392 |
| Total operating expenses | <u>1,164,905</u> | <u>1,040,396</u> | <u>2,205,301</u> |
| Operating income (loss) | <u>18,371</u> | <u>(308,300)</u> | <u>(289,929)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 462 | 290 | 752 |
| Interest and other charges | - | (19,164) | (19,164) |
| Total nonoperating revenues (expenses) | <u>462</u> | <u>(18,874)</u> | <u>(18,412)</u> |
| Change in net position | 18,833 | (327,174) | (308,341) |
| Total net position - beginning | <u>3,172,619</u> | <u>799,109</u> | <u>3,971,728</u> |
| Total net position - ending | <u>\$ 3,191,452</u> | <u>\$ 471,935</u> | <u>\$ 3,663,387</u> |

Town of Haw River
Statement of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2021

Statement 10

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 1,154,380 | \$ 705,762 | \$ 1,860,142 |
| Cash paid for goods and services | (853,684) | (572,804) | (1,426,488) |
| Cash paid to or on behalf of employees for services | (162,857) | (366,559) | (529,416) |
| Customer deposits received | 1,163 | 2,827 | 3,990 |
| Customer deposits refunded | (833) | (833) | (1,665) |
| Other operating revenues | 21,896 | 13,763 | 35,659 |
| Net cash provided (used) by operating activities | <u>160,065</u> | <u>(217,843)</u> | <u>(57,778)</u> |
| Cash flows from capital and related financing activities | | | |
| Acquisition and construction of capital assets | - | - | - |
| Principal paid on direct placement installment purchase obligations | - | (22,263) | (22,263) |
| Principal paid on bond maturities | - | (14,000) | (14,000) |
| Interest paid on bond maturities | - | (19,195) | (19,195) |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>(55,458)</u> | <u>(55,458)</u> |
| Cash flows from investing activities | | | |
| Interest and dividends | 461 | 291 | 752 |
| Net cash provided (used) by investing activities | <u>461</u> | <u>291</u> | <u>752</u> |
| Net increase (decrease) in cash and cash equivalents | <u>160,526</u> | <u>(273,010)</u> | <u>(112,484)</u> |
| Balances - beginning | 918,338 | (179,632) | 738,706 |
| Balances - ending | <u>\$ 1,078,864</u> | <u>\$ (452,642)</u> | <u>\$ 626,222</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | <u>\$ 18,371</u> | <u>\$ (308,300)</u> | <u>\$ (289,929)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 123,662 | 77,730 | 201,392 |
| Changes in assets, deferred outflows and inflows of resources, and liabilities: | | | |
| (Increase) decrease in accounts receivable, net | (7,000) | (12,571) | (19,571) |
| (Increase) decrease in deferred outflows of resources - pensions | (29,956) | (20,582) | (50,538) |
| Increase (decrease) in accounts payable and accrued liabilities | 3,852 | 2,584 | 6,436 |
| Increase (decrease) in customer deposits | 331 | 1,994 | 2,325 |
| Increase (decrease) in accrued vacation payable | 1,002 | 1,205 | 2,207 |
| Increase (decrease) in pension liability | 27,304 | 19,249 | 46,553 |
| Increase (decrease) in OPEB liability | 11,660 | 13,989 | 25,649 |
| Increase (decrease) in deferred inflows of resources - pensions | (549) | (345) | (894) |
| Increase (decrease) in deferred inflows of resources - OPEB | 11,389 | 7,203 | 18,592 |
| Total adjustments | <u>141,694</u> | <u>90,457</u> | <u>232,151</u> |
| Net cash provided (used) by operating activities | <u>\$ 160,065</u> | <u>\$ (217,843)</u> | <u>\$ (57,778)</u> |