

**Town of Rural Hall
Rural Hall, North Carolina
For the year ended
June 30, 2021**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

**Town of Rural Hall
Rural Hall, North Carolina**

Board of Governance

Mayor Timothy Flinchum

Mayor Pro Tem John McDermon

Councilman Susan Gordon

Councilman Jesse Stigall

Councilman Ricky Plunkett

**Town of Rural Hall
Table of Contents
June 30, 2021**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	12
Exhibit 2 Statement of Activities	13
Fund Financial Statements	
Exhibit 3 Balance Sheet – Governmental Funds	14-15
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	16
Exhibit 4(cont) Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances – Annual Budget and Actual – General Fund	18
Notes to the Financial Statements	19-37
Required Supplemental Information	
LGERS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset)	38
OPEB – Schedule of Changes in Total OPEB Liability and Related Ratios	39
Individual Funds Statements and Schedules:	
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual – General Fund	40-42
Balance Sheet – Non-Major Governmental Funds - Cemetery Fund	43
Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds – Cemetery Fund	44
Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual – Cemetery Fund	45
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	46
Analysis of Current Tax Levy	47

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Rural Hall, North Carolina, as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, LGERS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset) and OPEB – Schedule of Changes in Total OPEB Liability and Related Ratios, pages 38 and 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rural Hall, North Carolina's basic financial statements. The combining and 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 combining and 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 me. In my opinion, based on my audit, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note V to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC



Lexington, North Carolina

October 2, 2021

TOWN OF RURAL HALL



MAYOR
Timothy M. Flinchum

MAYOR PRO TEM
John N. McDermott

COUNCIL
Susan H. Gordon
Ricky S. Plunkett
Jesse A. Stigall

TOWN MANAGER
Megan M. Garner

TOWN CLERK
Dora K. Moore

Management's Discussion and Analysis

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

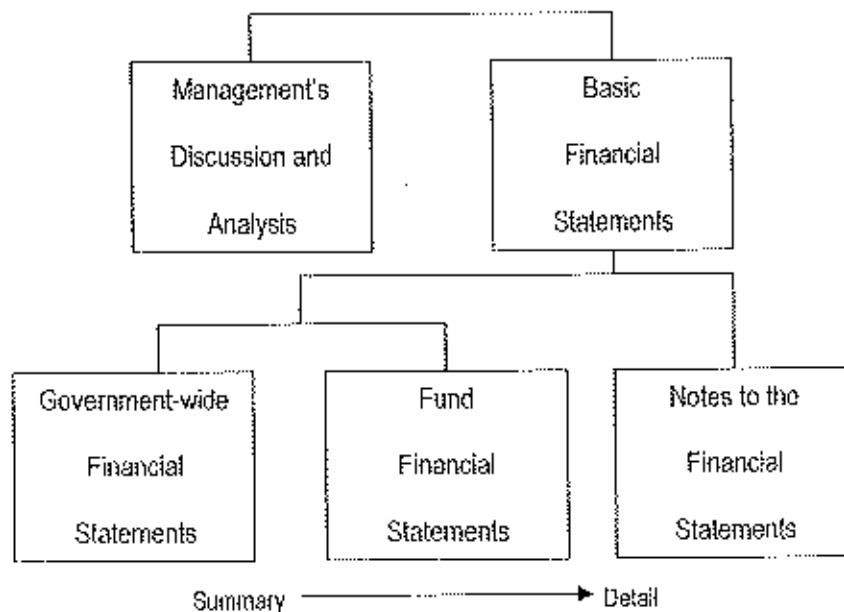
Financial highlights

- The assets and deferred outflow of resources of the Town of Rural Hall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,159,975 (*not position*).
- The government's total net position increased by \$23,657, primarily due to increases in LGERS pension and OPEB post-retirement costs.
- As of the close of the current fiscal year, the Town of Rural Hall's governmental fund reported ending fund balances of \$3,721,344 with a net change of \$276,434 in fund balance. Approximately 18% of this total amount, or \$667,282, is restricted, assigned or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,054,061, or 108% of total general fund expenditures for the fiscal year.
- The Town of Rural Hall's total debt increased by \$171,456 due to principal payments of \$132,116, increase in OPEB NPO of \$241,735, increase in pension liability of \$104,918, and a decrease of accrued vacation of \$43,081.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Rural Hall'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 Rural Hall.

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 (Exhibit 3 through 5) 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 two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

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

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

Management Discussion and Analysis
Town of Rural Hall

The government-wide statements consist of the governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Rural Hall, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Rural Hall fall under one category: governmental funds.

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

The Town of Rural Hall adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the 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 in 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 actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found following the basic financial statements.

Management Discussion and Analysis
Town of Rural Hall

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

Government-Wide Financial Analysis

Town of Rural Hall's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 3,981,842	\$ 3,618,186	\$ 3,981,842	\$ 3,618,186
Noncurrent assets	4,532,141	4,019,777	4,532,141	4,019,777
Deferred outflows of resources	614,634	409,147	614,634	409,147
Total assets and deferred outflow of resources	<u>9,128,617</u>	<u>8,047,110</u>	<u>9,128,617</u>	<u>8,047,110</u>
Long-term liabilities outstanding	2,645,819	2,279,515	2,645,819	2,279,515
Other Liabilities	251,892	162,559	251,892	162,559
Deferred inflows of resources	70,931	73,876	70,931	73,876
Total liabilities and deferred inflow of resources	<u>2,968,642</u>	<u>2,515,950</u>	<u>2,968,642</u>	<u>2,515,950</u>
Net position				
Net investment in capital assets	4,000,378	4,155,898	4,000,378	4,155,898
Restricted	424,329	460,330	424,329	460,330
Unrestricted	1,735,268	1,520,085	1,735,268	1,520,085
Total net position	<u>\$ 6,159,975</u>	<u>\$ 6,136,313</u>	<u>\$ 6,159,975</u>	<u>\$ 6,136,313</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rural Hall exceeded its liabilities and deferred inflows by \$6,159,975 as of June 30, 2021. The Town's net position increased by \$23,657 for the fiscal year ended June 30, 2021. However, a large portion (65%) reflects the Town of Rural Hall's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Rural Hall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rural Hall's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. In addition, \$424,329 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,735,268 is unrestricted.

Management Discussion and Analysis
Town of Rural Hall

One particular aspect of the Town's financial operations positively influenced the total unrestricted government net position:

- increases in LGERS pension and OPEB post-retirement obligations

	<i>Governmental Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenues:				
Program revenues:				
Charges for services	\$ 217,663	\$ 13,490	\$ 217,663	\$ 13,490
Operating grants and contributions	740,921	749,693	740,921	749,693
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	1,353,599	1,303,932	1,353,599	1,303,932
Other taxes and grants	725,670	681,942	725,670	681,942
Other	58,446	67,002	58,446	67,002
Total revenues	<u>3,096,299</u>	<u>2,816,059</u>	<u>3,096,299</u>	<u>2,816,059</u>
Expenses:				
General government	678,484	636,137	678,484	636,137
Public safety	1,312,711	1,152,774	1,312,711	1,152,774
Transportation	790,995	805,443	790,995	805,443
Environmental protection	7,194	20,438	7,194	20,438
Culture and recreation	44,895	39,374	44,895	39,374
Licence plate agency	217,126	15,739	217,126	15,739
Cemetery	1,998	2,249	1,998	2,249
Debt service	19,240	151,354	19,240	151,354
Total expenses	<u>3,072,643</u>	<u>2,823,507</u>	<u>3,072,643</u>	<u>2,823,508</u>
Increase in net position	23,657	(7,448)	23,657	(7,448)
Net position, July 1	<u>6,136,318</u>	<u>6,143,760</u>	<u>6,136,318</u>	<u>6,143,760</u>
Net position, June 30	<u>\$ 6,159,975</u>	<u>\$ 6,136,315</u>	<u>\$ 6,159,975</u>	<u>\$ 6,136,315</u>

Governmental activities. Governmental activities increased the Town's net position by \$23,657, thereby accounting for 100% of the total reduction in the net position of the Town of Rural Hall.

The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue increased in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Rural Hall'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 Rural Hall's financing requirements. Specifically, unreserved 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 Rural Hall. At the end of the current fiscal year, the Town of Rural Hall's fund balance available in the General Fund was \$3,054,061, while total fund balance was \$3,595,610. The Town currently has an available fund balance of 108% of general fund expenditures, while total fund balance represents 127% of the same amount.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$3,3721,343 with a net increase in fund balance of \$276,434. Included in this change in fund balance are increases in fund balance in the General Fund and Cemetery Fund.

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

Revenues and expenditures were less than the budgeted amounts primarily because the Town did not receive some restricted grants anticipated for sidewalk construction.

Capital Asset and Debt Administration

Capital Assets. The Town of Rural Hall's investment in capital assets for its governmental activities as of June 30, 2021, totals \$4,532,141 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following additions:

Buildings	\$38,239
-----------	----------

Town of Rural Hall's Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental</i>		<i>Total</i>	
	<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land	\$ 853,279	\$ 853,279	\$ 853,279	\$ 853,279
Construction in progress	-	-	-	-
Buildings	925,648	947,747	925,648	947,747
Improvements	321,074	335,455	321,074	335,455
Equipment	24,822	28,882	24,822	28,882
Computer equipment	-	-	-	-
Computer software	-	10,000	-	10,000
Paving	6,375	6,987	6,375	6,987
Vehicles	27,590	44,432	27,590	44,432
Infrastructure	1,137,647	1,204,130	1,137,647	1,204,130
Heavy equipment and vehicles	1,235,706	1,388,865	1,235,706	1,388,865
Total	\$ 4,532,141	\$ 4,819,777	\$ 4,532,141	\$ 4,819,777

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

Management Discussion and Analysis
 Town of Rural Hall

Long-term Debt. As of June 30, 2021, the Town of Rural Hall had total debt outstanding of \$2,645,819. Of this, \$2,114,056 is debt backed by the full faith and credit of the Town and \$531,763 is secured by vehicles.

Town of Rural Hall's Outstanding Debt

**General Obligation Bonds, Installment Purchases and Capital Lease
 Figure 5**

	Governmental			
	Activities		Total	
	2021	2020	2021	2020
Loan agreements	\$ 531,763	\$ 663,879	\$ 531,763	\$ 663,879
Pension liability	482,058	377,140	482,058	377,140
OPEB liability	1,562,736	1,321,001	1,562,736	1,321,001
Compensated absences	60,262	112,343	60,262	112,343
	<u>\$ 2,645,819</u>	<u>\$ 2,474,363</u>	<u>\$ 2,645,819</u>	<u>\$ 2,474,363</u>

Town of Rural Hall's Outstanding Debt

The Town of Rural Hall's total debt increased by \$171,456 due to principal payments of \$132,116, increase in OPEB NPO of \$241,735, increase in pension liability of \$104,918, and a decrease of accrued vacation of \$43,081.

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 Rural Hall is \$34,817,471. The Town has no authorized but un-issued bonds at June 30, 2021.

Additional information regarding the Town of Rural Hall's long-term debt can be found in note III.B.4 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town will continue to pursue any relevant grant funding, particularly those related to sidewalk and transportation projects. The Town has also applied for a FEMA grant for the Fire Department.

Town staff is comprised of professional personnel who participate in professional development.

Consumer spending in Forsyth County is expected to increase, which would result in additional sales tax revenue; however, due to the Covid 19 pandemic, revenue patterns are not necessarily indicative of current spending patterns.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Utility franchise and local option sales taxes are expected to increase; however, local option sales taxes are difficult to predict given the ongoing pandemic. The License Plate Agency fees are expected to continue to increase due to awareness in the region of the availability of this service.

The Town anticipates that ad valorem collections will continue to steadily increase due to construction as well as maintaining a high collection rate.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Town Manager, Town of Rural Hall, 423 Bethania-Rural Hall Road, Rural Hall, NC 27045. One can call at (336) 969-6856 or visit our website at www.ruralhall.com.

Town of Rural Hall North Carolina
Statement of Net Position
June 30, 2021

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash & cash equivalents	\$ 3,613,167	\$ 3,613,167
Taxes receivable	8,604	8,604
Due from other governments	176,243	176,243
Restricted cash & cash equivalents	183,829	183,829
	<u>3,981,842</u>	<u>3,981,842</u>
Capital assets:		
Land and construction in progress	853,279	853,279
Other Capital assets, net of depreciation	3,678,862	3,678,862
	<u>4,532,141</u>	<u>4,532,141</u>
Total assets	<u>8,513,983</u>	<u>8,513,983</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals - I, GERS	291,235	291,235
OPEB deferrals	323,399	323,399
Total deferred outflows of resources	<u>614,634</u>	<u>614,634</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	249,790	249,790
Current portion of long-term debt	87,606	87,606
Payable from restricted assets	2,103	2,103
	<u>339,498</u>	<u>339,498</u>
Long-term liabilities:		
Net pension liability	482,058	482,058
Total OPEB liability	1,562,736	1,562,736
Compensated absences	69,262	69,262
Due in more than one year	444,157	444,157
	<u>2,558,213</u>	<u>2,558,213</u>
Total liabilities	<u>2,897,711</u>	<u>2,897,711</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	4,110	4,110
OPEB deferrals	66,821	66,821
Total deferred inflows of resources	<u>70,931</u>	<u>70,931</u>
NET POSITION		
Net investment in capital assets	4,000,378	4,000,378
Restricted for:		
Cemetery perpetual care	125,705	125,705
Stabilization by State Statute	116,897	116,897
Streets	181,726	181,726
Unrestricted net position	1,735,268	1,735,268
Total net position	<u>\$ 6,159,975</u>	<u>\$ 6,159,975</u>

The accompanying notes are an integral part of the financial statements

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

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 878,484	\$ -	\$ 29,472	\$ -	\$ (849,072)	\$ (849,072)
Public safety	1,312,711	-	628,447	-	(884,264)	(884,264)
Transportation	750,995	-	80,681	-	(710,314)	(710,314)
Environmental protection	7,194	-	2,381	-	(4,813)	(4,813)
Cultural and recreational	44,885	10,014	-	-	(34,881)	(34,881)
License plate agency	27,126	190,649	-	-	(26,477)	(26,477)
Cemetery	1,998	17,000	-	-	15,002	15,002
Interest on long-term debt	19,240	-	-	-	(19,240)	(19,240)
Total governmental activities	3,072,643	217,663	740,921	-	(2,114,059)	(2,114,059)
Total primary government	\$ 3,072,643	\$ 217,663	\$ 740,921	\$ -	(2,114,059)	(2,114,059)

General revenues:

Taxes:	
Ad valorem taxes	1,353,599
Other taxes and licenses	-
Unrestricted intergovernmental revenues	725,670
Unrestricted investment earnings	1,083
Gain on sale of capital asset	5,509
Miscellaneous	51,854
Total general government revenues	2,137,716
Change in net position:	23,657
Net position, beginning, restated	6,136,315
Net position, ending	\$ 6,159,975

The accompanying notes are an integral part of the financial statements

Town of Rural Hall North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

	<u>Major Funds</u>	<u>Total Non-Major Funds</u>	<u>Total</u>
	<u>General</u>		<u>Governmental Fund</u>
Assets			
Cash and cash equivalents	\$ 3,546,807	\$ 66,360	\$ 3,613,167
Restricted cash	181,726	2,103	183,829
Taxes receivable, net	8,604	-	8,604
Due from other governments	176,215	27	176,243
Due from other funds	(59,345)	59,345	-
Total assets	<u>\$ 3,854,007</u>	<u>\$ 127,835</u>	<u>\$ 3,981,842</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable & accrued liabilities	\$ 249,793	\$ -	\$ 249,793
Due to other funds	-	-	-
Liabilities payable from restricted assets:			
Customer deposits	-	2,103	2,103
Total liabilities	<u>249,793</u>	<u>2,103</u>	<u>251,896</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	8,604	-	8,604
Total deferred inflows of resources	<u>8,604</u>	<u>-</u>	<u>8,604</u>
Fund balance:			
Non spendable:			
Perpetual maintenance	-	125,705	125,705
Restricted:			
Stabilization by State Statute	116,870	27	116,897
Streets	181,726	-	181,726
Assigned:			
Subsequent year's expenditures	242,953	-	242,953
Unassigned	3,054,061	-	3,054,061
Total fund balance	<u>3,595,610</u>	<u>125,733</u>	<u>3,721,343</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,854,007</u>	<u>\$ 127,835</u>	

The accompanying notes are an integral part of the financial statements

Town of Rural Hall North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, governmental funds		\$ 3,721,343
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 10,202,906	
Accumulated depreciation	<u>5,670,765</u>	4,532,141
Deferred outflows of resources are not reported in the funds		
LEGRS	291,235	
OPEB	<u>323,399</u>	614,634
Liabilities for earned revenues considered deferred inflows of resources in fund statements		8,607
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
LEGRS liability		(482,058)
OPEB liability		(1,562,736)
Compensated absences		(69,262)
Installment loans		(531,763)
Deferred inflows of resources are not reported in the funds		
LEGRS	(4,110)	
OPEB	<u>(66,821)</u>	(70,931)
Net position of governmental activities		<u>\$ 6,159,975</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Major Funds</u>	<u>Total Non-Major Funds</u>	<u>Total</u>
	<u>General</u>		<u>Governmental Fund</u>
Revenues:			
Ad valorem taxes	\$ 1,355,715	\$ -	\$ 1,355,715
Other taxes and licenses	-	-	-
Unrestricted intergovernmental revenues	725,670	-	725,670
Restricted intergovernmental revenues	740,921	-	740,921
Sales and services	200,663	17,000	217,663
Investment earnings	1,076	7	1,083
Miscellaneous	51,854	-	51,854
	<u>3,075,900</u>	<u>17,007</u>	<u>3,092,907</u>
Expenditures:			
General government	633,374	-	633,374
Public Safety	1,154,430	-	1,154,430
Transportation and utilities	659,223	-	659,223
Environmental protection	-	-	-
Cultural and recreation	27,402	-	27,402
License plate agency	195,477	-	195,477
Cemetery maintenance	-	722	722
Debt service:			
Principal	132,114	-	132,114
Interest and other charges	19,240	-	19,240
Total expenditures	<u>2,821,260</u>	<u>722</u>	<u>2,821,982</u>
Excess (deficiency) of revenues over expenditures	<u>254,641</u>	<u>16,284</u>	<u>270,925</u>
Other financing sources (uses):			
Transfers from other funds	-	-	-
Loan proceeds	-	-	-
Sale of capital assets	5,509	-	5,509
Total other financing sources (uses)	<u>5,509</u>	<u>-</u>	<u>5,509</u>
Net Change in Fund Balance	<u>260,150</u>	<u>16,284</u>	<u>276,434</u>
Fund balance - beginning of year	<u>3,335,461</u>	<u>109,449</u>	<u>3,444,910</u>
Fund balance - end of year	<u>\$ 3,595,610</u>	<u>\$ 125,733</u>	<u>\$ 3,721,343</u>

The accompanying notes are an integral part of the financial statements

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

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

Net changes in fund balances - total governmental funds	\$	276,434
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these 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	\$	38,328
Sale of capital asset		(5,509)
Gain on sale of capital asset		5,509
Depreciation		<u>(325,964)</u>
		(287,636)
<p>Changes in LGERS</p>		
Pension liability		(104,918)
Inflows		(2,175)
Outflows		<u>57,688</u>
		(49,405)
<p>Changes in OPEB</p>		
Pension liability		(241,735)
Inflows		5,120
Outflows		<u>147,799</u>
		(88,816)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in unavailable revenue for tax revenues		(2,118)
<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>		
Loan proceeds		-
Debt payment		<u>132,114</u>
		132,114
<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		<u>43,084</u>
Total changes in net position of governmental activities	\$	<u><u>23,657</u></u>

The accompanying notes are an integral part of the financial statements

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

	Original	Final	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,290,425	\$ 1,291,045	\$ 1,355,715	\$ 64,670
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental revenues	632,300	546,500	725,670	179,170
Restricted intergovernmental revenues	798,377	910,777	740,921	(169,856)
Sales and services	241,000	245,000	200,663	(44,337)
Investment earnings	12,500	12,200	1,076	(11,124)
Miscellaneous	42,610	36,241	51,854	15,613
Total revenues	<u>3,017,112</u>	<u>3,041,763</u>	<u>3,075,900</u>	<u>34,137</u>
Expenditures:				
General government	700,115	715,115	633,374	81,741
Public Safety	1,165,951	1,165,951	1,164,430	11,521
Transportation	1,152,810	1,152,816	659,223	493,593
Environmental protection	-	-	-	-
Cultural and recreation	39,450	39,450	27,402	12,048
License plate agency	236,954	236,954	195,477	41,477
Debt service:				
Principal retirement	130,000	135,000	132,114	2,886
Interest and other charges	25,000	20,000	19,240	760
Contingencies	5,000	5,000	-	5,000
Total expenditures	<u>3,455,280</u>	<u>3,470,286</u>	<u>2,821,260</u>	<u>649,026</u>
Revenues over (under) expenditures	<u>(438,168)</u>	<u>(428,523)</u>	<u>254,641</u>	<u>683,164</u>
Other financing sources (uses):				
Transfers (to) from other funds	-	-	-	-
Loan proceeds	-	-	-	-
Sale of capital asset	-	2,000	5,509	3,509
	<u>-</u>	<u>2,000</u>	<u>5,509</u>	<u>3,509</u>
Fund balance appropriated	<u>438,168</u>	<u>426,523</u>	<u>-</u>	<u>(426,523)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>260,150</u>	<u>\$ 260,150</u>
Fund balance, beginning of year			<u>3,335,461</u>	
Fund balance, end of year			<u>\$ 3,595,610</u>	

The accompanying notes are an integral part of the financial statements.

Town of Rural Hall, North Carolina

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Rural Hall 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 Rural Hall is a municipal corporation governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town, a single entity with no other legally separate entities for which the Town is financially accountable.

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities 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. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. The Town of Rural Hall has one nonmajor governmental fund and no major or nonmajor enterprise funds.

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those 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, license plate agency and sanitation services.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

B. Basis of Presentation (continued)

The Town reports the following nonmajor governmental fund:

Cemetery Fund – This fund is used to account for the perpetual care of the municipal cemetery.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Rural Hall because the tax is levied by Forsyth County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain

NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. Measurement Focus and Basis of Accounting (continued)

programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Restricted Assets

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

Other restricted cash includes deposits and reserved for other functions.

Town of Rural Hall Restricted Cash

Governmental Activities		
	Deposits	\$ 2,103
General Fund	Streets	181,726
Total Restricted Cash		<u>\$183,829</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 taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which 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. 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 cost is \$5,000 for all asset classes. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected not to capitalize general infrastructure assets acquired prior to July 1, 2003. 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.

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

<u>Asset Class</u>	<u>Life</u>
Infrastructure	20-30
Buildings	20-30
Improvements	20-30
Vehicles	5- 6
Furniture and equipment	5-20
Computer equipment and software	3-5

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. *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 three items that meet this criterion, contributions made to the pension plan in the 2021 fiscal year, other deferred pension outflows and OPEB deferred outflows. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - OPEB deferrals, property taxes receivable, and pension deferrals.

8. *Long-Term Obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

9. *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 funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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 accumulation of sick leave until it is actually taken, no accrual for sick leave has been made.

10. *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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Net Position / Fund Balances (continued)

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.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of Rural Hall Memorial Park.

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

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

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

Restricted for other functions - portion of fund balance that is restricted by donor purposes.

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

Committed for public safety – portion of fund balance that has been budgeted by the Board for future equipment purchases.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Net Position / Fund Balances (continued)

The Town of Rural Hall 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.

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town 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.

ii. Stewardship, Compliance, and Accountability:

A. Material Violations of Finance-Related Legal and Contractual Provisions: None noted

B. Deficit Fund Balance or Retained Earnings of Individual Funds: None

C. Excess of Expenditures over Appropriation: The Town did not exceed budgeted amounts in the current year.

iii. Detail Notes on All Funds and Account Groups

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits. 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 the risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,281,778 and a bank balance of \$2,286,593. The bank balances of the Town were covered by \$351,614 of federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town had working funds of \$600 at June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Investments

At June 30, 2021, the Town had \$1,330,789 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

2. Receivable – Due from Other Governments

The due from other governments that is owed to the Town consists of the following:

Local option sales tax	\$ 109,021
Franchise and utility tax	58,568
Sales tax and other refunds	<u>8,654</u>
Total	<u>\$176,243</u>

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 is net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>Amount</u>
General Fund	<u>\$ 3,164</u>
Total	<u>\$ 3,164</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 853,279	\$ -	\$ -	\$ 853,279
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>853,279</u>	<u>-</u>	<u>-</u>	<u>853,279</u>
Capital assets being depreciated:				
Buildings	2,141,454	38,329	-	2,179,783
Improvements	1,275,394	-	-	1,275,394
Equipment	459,198	-	-	459,198
Computer equipment	8,284	-	-	8,284
Computer software	60,410	-	-	60,410
Paving	44,072	-	-	44,072
Vehicles	231,155	-	-	231,155
Infrastructure	1,824,570	-	-	1,824,570
Heavy vehicles and equipment	3,266,762	-	-	3,266,762
Total capital assets being depreciated	<u>9,311,299</u>	<u>38,329</u>	<u>-</u>	<u>9,349,628</u>
Less accumulated depreciation for:				
Buildings	1,193,707	60,428	-	1,254,135
Improvements	939,939	14,381	-	954,320
Equipment	430,316	4,060	-	434,376
Computer equipment	8,284	-	-	8,284
Computer software	50,410	10,000	-	60,410
Paving	37,085	612	-	37,697
Vehicles	186,723	16,842	-	203,565
Infrastructure	620,440	66,483	-	686,923
Heavy vehicles and equipment	1,877,897	153,159	-	2,031,056
Total accumulated depreciation	<u>5,344,801</u>	<u>325,965</u>	<u>-</u>	<u>5,670,766</u>
Total capital assets being depreciated, net	<u>3,966,498</u>	<u>(287,636)</u>	<u>-</u>	<u>3,678,862</u>
Governmental activity capital assets, net	<u>\$ 4,819,777</u>	<u>\$ (287,636)</u>	<u>\$ -</u>	<u>\$ 4,532,141</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Capital Assets (continued)

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

General government	\$ 49,110
Public safety	130,014
Transportation	114,794
Environmental protection	7,194
Cultural and recreational	17,493
License plate agency	6,082
Cemetery	<u>1,278</u>
Total depreciation expense	<u>\$325,695</u>

B. Liabilities

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Rural Hall 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. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of GS 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplemental information for LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, by calling 919-981-5454, or at www.osc.nc.gov.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

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 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's contractually required contribution rate for the year ended June 30, 2021 was 9.01% 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 were \$85,802 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 \$482,058 for their 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, 2021 (as measured at June 30, 2020), the Town's proportion was 0.01349%, which was a decrease of 0.00032% from its proportion measured as of June 30, 2020 (as measured at June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$168,698. 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	\$ 60,875	\$ -
Changes of assumptions	35,874	-
Net difference between projected and actual earnings on pension plan investments	67,836	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,353	4,110
Town contributions subsequent to the measurement date	119,297	-
Total	<u>\$ 291,235</u>	<u>\$ 4,110</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

\$119,297 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 50,211
2022	628
2023	34,913
2024	20,076
2025	-
thereafter	-
	\$ 105,828

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 978,037	\$ 482,058	\$ 69,859

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e. Other Post-Employment Benefits

Plan Description: Under the terms of a Town resolution, the Town provides for a health care benefit plan for those who leave service with thirty years of qualified service with the state retirement system with the Town hired before October 8, 2018. The Town pays for the full cost of these benefits through private insurers. The Town Council may amend the plan.

As of June 30, 2019, membership in the plan consisted of the following:

Retirees	3
Terminated plan members entitled to but not receiving benefits	0
Active plan members	<u>15</u>
Total	18

Total OPEB Liability

The Town's total OPEB liability of \$1,562,736 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.5 -7.75 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	7.0% for 2019 decreasing to an ultimate rate of 4.50% by 2025

The discount rate used the TOL was 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

	Total OPEB Liability
Balance at June 30, 2020	\$ 1,321,001
Changes for the year	
Service cost	42,693
Interest	47,037
Changes of benefit terms	-
Differences between expected and actual experience	(9,839)
Changes in assumptions or other inputs	201,729
Benefit payments	<u>(39,885)</u>
Net changes	<u>241,735</u>
Balance at June 30, 2021	<u>\$ 1,562,736</u>

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study from January 1, 2010 through December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 1,741,198	\$ 1,562,736	\$ 1,403,715

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 \$88,816. 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	\$ 128,758	\$ 9,895
Changes of assumptions	194,641	56,926
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ 323,399	\$ 66,821

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 38,971
2020	38,971
2021	38,971
2022	39,852
2023	47,618
Thereafter	52,195

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f. 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.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

LGERS	\$ 291,235
OPEB	<u>323,399</u>
	<u>\$ 614,634</u>

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

	<u>General Fund Balance Sheet</u>	<u>Statement of Net Position</u>
Property tax deferrals	\$ 8,604	\$ -0-
LGERS	-0-	4,110
OPEB	-0-	<u>66,821</u>
	<u>\$ 8,604</u>	<u>\$ 70,931</u>

3. 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 obtains insurance through private carriers. Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The Town has not had a significant reduction in coverage during the last year. Claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the Interlocal Risk Financing Fund.

In accordance with GS 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 covered under a \$50,000 security bond. The employees that have access to funds are bonded under a blanket bond of \$20,000 per occurrence.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Long-Term Obligations

b. Installment Purchases

In September 2013, the Town entered into an installment purchase contract to finance the purchase of a 2013 pumper fire truck. The financing contract requires annual payments, of \$45,817, including interest at 2.28%. The principal balance at June 30, 2021 was \$131,415

Annual debt service requirements to maturity for the loan agreement are as follows, including \$6,038 of interest:

<u>Year Ending June 30</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2021	\$ 45,817	\$ 2,996	\$ 42,821
2023	45,817	2,020	43,797
2024	45,820	1,022	44,797
	<u>\$ 137,454</u>	<u>\$ 6,038</u>	<u>\$ 131,415</u>

In January 2021, the Town entered into an installment purchase contract to finance the purchase of a 2021 pumper fire truck. The financing contract requires annual payments, of \$57,397, including interest at 2.28%. The principal balance at June 30, 2021 was \$400,348.

Annual debt service requirements to maturity for the loan agreement are as follows, including \$58,828 of interest.

<u>Year Ending June 30</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2021	\$ 57,397	\$ 12,612	\$ 44,785
2023	57,397	11,201	46,196
2024	57,397	9,746	47,651
2025	57,397	8,267	49,130
2026	57,397	6,697	50,700
2027	57,397	5,100	52,297
2028	57,397	3,453	53,944
2029	57,397	1,752	55,645
	<u>\$ 459,176</u>	<u>\$ 58,828</u>	<u>\$ 400,348</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c. Changes in Long-Term Liabilities

	Balance			Balance	
	June 30, 2020	Increases	Decreases	June 30, 2021	Current Portion
Governmental activities:					
Installment purchase	\$ 46,868	\$ -	\$ 46,868	\$ -	\$ -
Installment purchase	173,281	-	41,866	131,415	42,821
Installment purchase	443,730	-	43,382	400,348	44,785
Pension liability	377,140	104,918	-	482,058	-
OPEB liability	1,321,001	241,735	-	1,562,736	-
Compensated absences	112,343	-	43,081	69,262	-
	<u>\$ 2,474,363</u>	<u>\$ 346,653</u>	<u>\$ 175,197</u>	<u>\$ 2,645,819</u>	<u>\$ 87,606</u>
Governmental activity long-term liabilities					

At June 30, 2021, the Town had a legal debt margin of \$34,817,471.

5. Interfund Balances and Activity

Transfers to / from Other Funds:

There were no transfers or Interfund balances at June 30, 2021.

C. Net Investment in Capital Assets

Investment in capital assets, net of related debt was \$4,000,378 as of June 30, 2021.

	Governmental
Capital Assets	\$ 4,532,141
less: long-term debt	<u>(531,763)</u>
Net investment in capital assets	<u>\$ 4,000,378</u>

D. 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	\$ 3,595,610
Less:	
Stabilization by State Statute	116,870
Streets - Powell Bill	181,726
Fund balance appropriated 2022	242,953
Remaining Fund Balance	<u>\$ 3,054,061</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

D. Fund Balance (continued)

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$0	

IV. Summary of Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 2, 2021, which is the date the financial statements were available to be issued. There were no subsequent events that came to our attention after the audit that would have a significant effect on the Town.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of international Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Rural Hall's proportion of the net pension liability (asset) (%)	0.01348%	0.01381%	0.01393%	0.01269%	0.01127%	0.01347%	0.01382%	0.01350%
Rural Hall's proportion of the net pension liability (asset) (\$)	\$ 482,358	\$ 377,140	\$ 330,467	\$ 193,868	\$ 235,188	\$ 60,453	\$ (81,503)	\$ 162,727
Rural Hall's covered-employee payroll	\$ 963,983	\$ 952,240	\$ 909,303	\$ 843,653	\$ 804,622	\$ 791,726	\$ 773,475	\$ 728,594
Rural Hall's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.33%	39.61%	36.34%	22.90%	29.73%	7.54%	(10.50%)	22.33%
Plan fiduciary net position as a percentage of the total pension liability**	88.51%	91.63%	91.68%	94.15%	91.47%	98.09%	102.64%	94.35%

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 119,297	\$ 85,802	\$ 74,465	\$ 69,016	\$ 61,840	\$ 53,668	\$ 55,975	\$ 54,897
Contributions in relation to the contractually required contribution	119,297	85,802	74,465	69,016	61,840	53,668	55,975	54,897
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural Hall's covered-employee payroll	\$ 1,169,579	\$ 953,993	\$ 952,240	\$ 809,310	\$ 843,653	\$ 804,622	\$ 791,726	\$ 776,476
Contributions as a percentage of covered-employee payroll	13.25%	8.99%	7.82%	7.50%	7.33%	5.67%	7.07%	7.27%

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

	<u>June 30</u>			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,321,001	\$ 1,061,460	\$ 1,037,730	\$ 1,042,602
Service Cost	42,693	30,237	40,723	41,292
Interest on total pension liability	47,037	40,886	36,719	31,137
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(9,839)	173,483	(2,206)	2,905
Changes of assumptions or other inputs	261,729	26,954	(38,788)	(66,698)
Benefit payments	(39,005)	(21,046)	(12,740)	(16,798)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,562,736</u>	<u>\$ 1,321,001</u>	<u>\$ 1,061,460</u>	<u>\$ 1,037,730</u>
Covered payroll	<u>\$ 838,265</u>	<u>\$ 838,265</u>	<u>\$ 807,148</u>	<u>\$ 807,148</u>
Total OPEB liability as a percentage of covered payroll	186.43%	157.59%	131.01%	128.57%

Notes to the schedule:

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

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.69%
2018	3.56%

Town of Rural Hall, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2021

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>June 30, 2020 Actual</u>
REVENUES:				
Ad valorem taxes				
Taxes		\$ 1,352,029		\$ 1,302,575
Penalties and interest, net		3,686		3,172
	<u>\$ 1,291,045</u>	<u>1,355,715</u>	<u>\$ 64,670</u>	<u>1,305,747</u>
Other taxes & licenses				
Cable franchise tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental				
Local option sales tax		477,914		438,733
Telecommunications sales tax		8,577		12,268
Utilities sales tax		199,403		182,372
Piped natural gas sales tax		10,810		12,056
Video franchise fee		15,481		20,739
Beer & wine tax		13,260		13,546
Motor fuels tax refund		225		2,227
	<u>546,500</u>	<u>725,670</u>	<u>179,170</u>	<u>681,941</u>
Restricted intergovernmental				
Powell Bill allocation		80,681		84,609
Forsyth County Fire Department		524,645		496,585
Stokes County Fire Department		91,196		93,414
Occupancy tax		29,412		36,074
On-behalf of payments - Fire		12,605		3,731
Solid waste disposal tax		2,381		2,390
Side walk reimbursement		-		32,890
	<u>910,777</u>	<u>740,921</u>	<u>(169,856)</u>	<u>749,693</u>
Sales and services				
License plate agency fees		190,649		-
Recreation department fees		13,014		5,990
	<u>245,000</u>	<u>200,663</u>	<u>-</u>	<u>5,990</u>
Investment earnings	<u>12,200</u>	<u>1,076</u>	<u>(11,124)</u>	<u>19,186</u>
Miscellaneous				
Donations and fees - Fire		1,905		4,500
Covid relief funds		34,898		-
Lease revenue		3,600		900
Other		11,451		7,456
	<u>36,241</u>	<u>51,854</u>	<u>15,613</u>	<u>12,856</u>
Total revenues	<u>3,041,763</u>	<u>3,075,900</u>	<u>34,137</u>	<u>2,775,413</u>

Town of Rural Hall, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Budget	Actual	Variance Favorable (Unfavorable)	June 30, 2020 Actual
EXPENDITURES:				
General Government				
Governing body:				
Salaries and employee benefits		\$ 15,360		\$ 15,424
Professional services		27,373		14,088
	\$ 45,000	42,734	\$ 2,266	29,512
Administration:				
Salaries and employee benefits		401,161		334,708
Operating expenses		137,096		142,308
Capital outlay		38,328		-
	855,115	576,586	78,529	477,016
Elections:				
Operating expenses		-		3,631
	-	-	-	3,631
Public buildings:				
Operating expenses		14,055		36,200
Capital outlay		-		-
	15,000	14,055	945	36,200
Total general government	715,115	633,374	81,741	546,359
Public Safety:				
Fire				
Salaries and employee benefits		776,582		698,590
Operating expenses		163,155		165,800
On behalf payments		12,605		3,731
Capital outlay		-		-
	961,941	952,342	9,599	868,121
Sheriff				
Operating expenses	204,010	202,087	1,923	179,931
Total public safety	1,165,951	1,154,430	11,521	1,048,052
Transportation:				
Streets and highways				
Salaries and employee benefits		310,326		305,342
Operating expenses		240,269		277,140
Maintenance		31,577		37,199
Powell Bill		77,060		33,258
Capital outlay		-		141,080
Total transportation	1,152,816	659,223	493,593	794,020

Town of Rural Hall, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>June 30, 2020 Actual</u>
EXPENDITURES (continued):				
Environmental Protection:				
Sanitation				
Contracted services		\$ -		\$ 12,773
Operating expenses		-		295
	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>13,068</u>
Cultural and Recreation:				
Operating expenses		27,402		21,482
Capital outlay		-		19,671
	<u>39,450</u>	<u>27,402</u>	<u>12,048</u>	<u>41,153</u>
License plate agency:				
Salaries and employee benefits		172,650		-
Operating expenses		22,827		9,655
Capital outlay		-		182,446
	<u>236,954</u>	<u>195,477</u>	<u>41,477</u>	<u>192,102</u>
Debt service				
Principal		132,114		128,654
Interest		19,240		22,700
	<u>156,000</u>	<u>151,354</u>	<u>3,646</u>	<u>151,354</u>
Contingency	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>3,470,286</u>	<u>2,821,260</u>	<u>649,026</u>	<u>2,786,107</u>
Revenues over expenditures	<u>(428,523)</u>	<u>254,641</u>	<u>683,164</u>	<u>(10,695)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital asset	<u>2,000</u>	<u>5,509</u>	<u>3,509</u>	<u>34,915</u>
	<u>2,000</u>	<u>5,509</u>	<u>3,509</u>	<u>34,915</u>
Fund balance appropriated	426,523	-	(426,523)	-
Net change in fund balance	<u>\$ -</u>	<u>260,150</u>	<u>\$ 260,150</u>	<u>24,221</u>
Fund balances - beginning of year		<u>3,335,461</u>		<u>3,311,240</u>
Fund balances - end of year		<u>\$ 3,595,610</u>		<u>\$ 3,335,461</u>

Town of Rural Hall, North Carolina
Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	<u>Cemotory Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 125,705	\$ 125,705
Restricted cash	2,103	2,103
Due from other governments	<u>27</u>	<u>27</u>
Total assets	<u>\$ 127,835</u>	<u>\$ 127,835</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ -	\$ -
Customer deposits	<u>2,103</u>	<u>2,103</u>
Total liabilities	<u>2,103</u>	<u>2,103</u>
Fund balances		
Non spendable		
Perpetual maintenance	125,705	125,705
Restricted		
Stabilization by State Statute	<u>27</u>	<u>27</u>
Total fund balances	<u>125,733</u>	<u>125,733</u>
Total liabilities and fund balances	<u>\$ 127,835</u>	<u>\$ 127,835</u>

Town of Rural Hall, North Carolina
Statement of Revenue, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	<u>Cemetery Fund</u>	<u>Total Nonmajor Revenue Funds</u>
Revenues:		
Sale of plots	\$ 17,000	\$ 17,000
Investment earnings	<u>7</u>	<u>7</u>
Total revenues	<u>17,007</u>	<u>17,007</u>
Expenditures:		
Cemetery maintenance	<u>722</u>	<u>722</u>
Total expenditures	<u>722</u>	<u>722</u>
Revenues over (under) expenditures	<u>16,284</u>	<u>16,284</u>
Net change in fund balance	16,284	16,284
Fund balances, beginning	<u>109,449</u>	<u>109,449</u>
Fund balances, ending	<u>\$ 125,733</u>	<u>\$ 125,733</u>

Town of Rural Hall, North Carolina
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	<u>Cemetery Budget</u>	<u>Cemetery Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Sale of plots	\$ 1,500	\$ 17,000	\$ 18,500
Investment earnings	<u>50</u>	<u>7</u>	<u>57</u>
Total revenues	<u>1,550</u>	<u>17,007</u>	<u>18,557</u>
Expenditures:			
Cemetery maintenance	<u>1,550</u>	<u>722</u>	<u>2,272</u>
Total expenditures	<u>1,550</u>	<u>722</u>	<u>2,272</u>
Revenues over (under) expenditures	-	16,284	16,284
Other financing sources (uses):			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	16,284	<u>\$ 16,284</u>
Fund balances, beginning		<u>109,449</u>	
Fund balances, ending		<u>\$ 125,733</u>	

Town Rural Hall, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

<u>Fiscal Year</u>	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2021		\$ 1,349,177	\$ 1,343,562	\$ 5,615
2020	\$ 6,345		4,186	2,159
2019	2,592		1,762	830
2018	1,784		1,248	536
2017	1,572		1,040	532
2016	506		6	500
2015	449		28	421
2014	400		-	400
2013	482		-	482
2012	293		-	293
2011	341		341	-
	<u>\$ 14,764</u>	<u>\$ 1,349,177</u>	<u>\$ 1,352,173</u>	<u>\$ 11,768</u>
	Less: Allowance for uncollectible accounts General Fund			3,164
	Ad Valorem taxes receivable - net			<u>\$ 8,604</u>
	<u>Reconciliation with revenues:</u>			
	Ad Valorem Tax - General Fund			\$ 1,352,029
	Adjustments			(197)
	Taxes written off			341
	Total Collections & Credits			<u>\$ 1,352,173</u>

Town of Rural Hall, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2021

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 435,766,129	0.31	\$ 1,350,875	\$ 1,256,370	\$ 94,505
Penalties	-		-	-	-
Total	435,766,129		1,350,875	1,256,370	94,505
Discoveries	362,581	0.31	1,124	1,124	-
Abatements	(910,323)	0.31	(2,822)	(2,141)	-
Total Property Valuation	<u>\$ 435,218,387</u>				
Net levy			1,349,177	1,255,353	94,505
Less: Uncollected Tax at June 30, 2021			5,615	5,615	-
Current Year Tax Collected			<u>\$ 1,343,562</u>	<u>\$ 1,249,738</u>	<u>\$ 94,505</u>
Percent current year collected			<u>99.58%</u>	<u>99.55%</u>	<u>100.00%</u>

Town of Rural Hall
2021

General	P 40-42	<u>2021</u>	<u>2020</u>	Increase <u>(decrease)</u>
Revenues		3,075,000	2,775,000	300,000
Ad valorem		1,355,000	1,306,000	49,000
Local Option Sales Tax		478,000	438,000	40,000
Fire protection		615,000	590,000	25,000
Utility franchise		199,000	227,000	(28,000)
Loan proceeds		-	-	-
Expenditures		2,821,000	2,786,000	35,000
Admin		576,500	477,000	99,500
Capital outlay		38,300	-	38,300
Fire		952,342	868,000	84,342
Capital outlay		-	-	-
Transportation		659,000	794,000	(135,000)
Maintenance		31,500	28,000	3,500
Capital outlay		-	141,000	(141,000)
Garbage and retiree ins		168,000	194,000	(26,000)
License plate agency		196,000	192,000	4,000
Capital outlay		-	182,000	(182,000)
Change in fund balance		260,000	24,000	236,000

Available fund balance \$3,054,000 or 108% of current years expenditures

Ad valorem collection rate 99.58%

Cash	6/30/2017	3,087,634
	6/30/2018	3,124,484
	6/30/2019	3,350,651
	6/30/2020	3,440,002
	6/30/2021	3,796,996