

Town of



North Carolina

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

Town of Laurel Park, North Carolina

Mayor

J. Carey O’Cain

Town Council

George W. Banta

Kristin Dunn

Paul Hansen

Nancy McKinley, Mayor Pro-Tem

Management

Michael Morgan, Interim Town Manager

Bobbie K. Trotter, Chief of Police

Heather Smith, Finance Officer

Brandon Johnson, Superintendent of Public Works

Town of Laurel Park, North Carolina

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BURLESON & EARLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Governing Council
Laurel Park, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Laurel Park, 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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Laurel Park's ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Laurel Park ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 49 and 50, respectively, and the Law Officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of the Town of Laurel Park’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Laurel Park’s internal control over financial reporting and compliance.

Burleson & Earley, P.A.

Certified Public Accountants

Asheville, North Carolina

November 22, 2021

Management's Discussion and Analysis

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

Financial Highlights

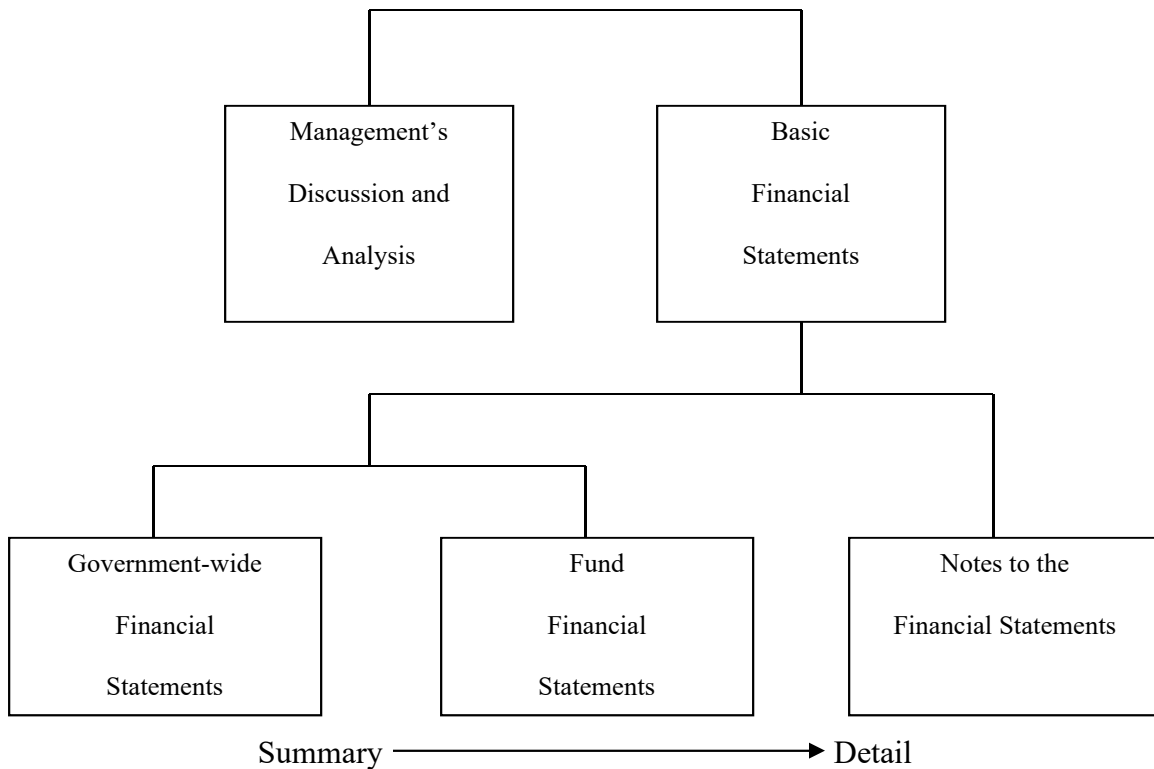
- The assets and deferred outflows of resources of the Town of Laurel Park *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,152,425 (net position).
- The Town's total net position *decreased* by \$(923,539), due to *increases* in the *government* activities of \$570,570 and *decreases* in the *business-type* activities net position of (\$1,494,109). The *decreases* in the *business-type* activities net position results from the sale of the water system to the City of Hendersonville.
- The Town sold its water system to the City of Hendersonville on April 1, 2021 for \$1. The assets transferred to the City had a net book value of \$1,518,241. Prior to the sale the Town purchased sewer services from the City and billed residents. This process ceased with the sale of the water system. Both the water and sewer funds are expected to be closed in fiscal year 2022.
- The Town created a new Enterprise Fund – the Stormwater Fund to provide for stormwater infrastructure improvements and to maintain the Town's CPDES phase II permit with the State of North Carolina.
- As of the close of the current fiscal year, the Town's reported ending general fund balance of \$2,929,765 represents an *increase* of \$737,466 in comparison with the prior year. Approximately 84% of this total amount, or \$2,472,317, is available for spending at the government's discretion (**unassigned fund balance**).

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town'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.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, street maintenance, trash collection, zoning administration, parks and greenways, and general administration. Property taxes, state shared revenues, and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water, sewer and stormwater services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Laurel Park ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute a portion of its profits to the Town.

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

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

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement (Exhibit 5) 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 (Exhibit 5) uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting

and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-48 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, 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 State laws 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

The Town of Laurel Park’s Net Position
Figure 2

| | Government Activities | | Business-type Activities | | Total | |
|--|-----------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 3,031,289 | \$ 2,295,032 | \$ 914,368 | \$ 911,140 | \$ 3,945,657 | \$ 3,206,172 |
| Capital assets | 1,751,004 | 1,650,181 | 94,063 | 1,620,819 | 1,845,067 | 3,271,000 |
| Deferred outflows of resources | 332,867 | 231,666 | 16,466 | 13,290 | 349,333 | 244,956 |
| Total assets and deferred outflows of resources | 5,115,160 | 4,176,879 | 1,024,897 | 2,545,249 | 6,140,057 | 6,722,128 |
| Long-term liabilities outstanding | 884,614 | 521,907 | 34,220 | 30,552 | 918,834 | 552,459 |
| Other liabilities | 41,045 | 35,942 | (2,094) | 27,867 | 38,951 | 63,809 |
| Deferred inflows of resources | 26,871 | 26,970 | 2,976 | 2,926 | 29,847 | 29,896 |
| Total liabilities and deferred inflows of resources | 952,530 | 584,819 | 35,102 | 61,345 | 987,632 | 646,164 |
| Net Position: | | | | | | |
| Net investment in capital assets | 1,584,217 | 1,650,181 | 94,063 | 1,620,819 | 1,678,280 | 3,271,000 |
| Restricted for stabilization by state statute | 275,348 | 232,556 | - | - | 275,348 | 232,556 |
| Restricted for capital reserves | 60,000 | 30,000 | - | - | 60,000 | 30,000 |
| Unrestricted | 2,243,065 | 1,679,323 | 895,732 | 863,085 | 3,138,797 | 2,542,408 |
| Total net position | \$ 4,162,630 | \$ 3,592,060 | \$ 989,795 | \$ 2,483,904 | \$ 5,152,425 | \$ 6,075,964 |

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 exceeded liabilities and deferred inflows by \$5,152,425 as of June 30, 2021. The Town’s net position *decreased* by \$(923,539) for the fiscal year ended June 30, 2021. The largest portion (61%) of the balance, \$3,138,797, is unrestricted. Of the remaining balance, \$275,348 is restricted for stabilization by state statute, \$60,000 is restricted for capital reserves and \$1,678,280 reflects the Town’s net investment in capital assets (e.g. land, buildings,

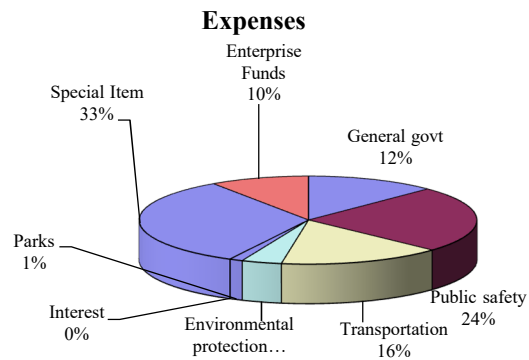
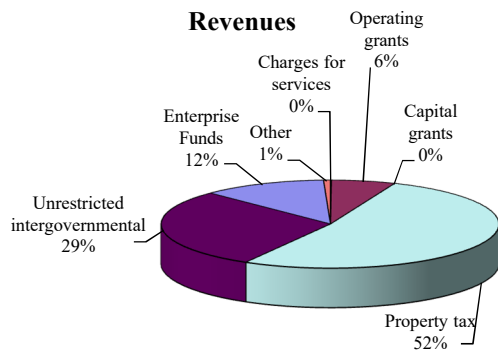
machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Several particular aspects of the Town’s financial operations influencing the total unrestricted governmental net position:

- A tax collection rate of 99.85%, which exceeds the 2020 statewide average of 98.97% for communities within the population less than 50,000. Collections are budgeted at 98.5% for property and motor vehicles.
- Maintained a tax rate of \$0.435 for fiscal year 2021, of which \$0.10 is for fire protection.

Town of Laurel Park’s Changes in Net Position
Figure 3

| | Government Activities | | Business-type Activities | | Total | |
|---|-----------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 3,238 | \$ 3,274 | \$ 439,340 | \$ 460,416 | \$ 442,578 | \$ 463,690 |
| Operating grants and contributions | 225,598 | 120,619 | - | - | 225,598 | 120,619 |
| Capital grants and contributions | - | 52,600 | - | - | - | 52,600 |
| General Revenues: | | | | | | |
| Property taxes | 1,922,681 | 1,885,763 | - | - | 1,922,681 | 1,885,763 |
| Unrestricted intergovernmental revenues | 1,075,586 | 952,468 | - | - | 1,075,586 | 952,468 |
| Unrestricted investment earnings | 1,670 | 25,592 | 119 | 5,965 | 1,789 | 31,557 |
| Gain (loss) on sale of capital assets | - | 15,600 | - | - | - | 15,600 |
| Other | 8,324 | 8,437 | 14,171 | 50 | 22,495 | 8,487 |
| Total Revenues | 3,237,097 | 3,064,353 | 453,630 | 466,431 | 3,690,727 | 3,530,784 |
| Expenses: | | | | | | |
| General government | 577,863 | 508,621 | - | - | 577,863 | 508,621 |
| Public safety | 1,130,136 | 1,065,383 | - | - | 1,130,136 | 1,065,383 |
| Transportation | 722,152 | 912,379 | - | - | 722,152 | 912,379 |
| Environmental protection | 176,955 | 172,477 | - | - | 176,955 | 172,477 |
| Parks | 57,581 | 72,955 | - | - | 57,581 | 72,955 |
| Interest on long-term debt | 1,840 | - | - | - | 1,840 | - |
| Water and sewer | - | - | 429,498 | 490,889 | 429,498 | 490,889 |
| Total Expenses | 2,666,527 | 2,731,815 | 429,498 | 490,889 | 3,096,025 | 3,222,704 |
| Change in net position before special items and transfers | 570,570 | 332,538 | 24,132 | (24,458) | 594,702 | 308,080 |
| Special item - Sale of water system to City of Hendersonville | - | - | (1,518,241) | - | (1,518,241) | - |
| Transfer (to) from other funds | - | (1,000) | - | 1,000 | - | - |
| Total special items and transfers | - | (1,000) | (1,518,241) | 1,000 | (1,518,241) | - |
| Change in net position | 570,570 | 331,538 | (1,494,109) | (23,458) | (923,539) | 308,080 |
| Net position, July 1 | 3,592,060 | 3,260,522 | 2,483,904 | 2,507,362 | 6,075,964 | 5,767,884 |
| Net position, June 30 | \$ 4,162,630 | \$ 3,592,060 | \$ 989,795 | \$ 2,483,904 | \$ 5,152,425 | \$ 6,075,964 |



Governmental activities: Governmental activities *increased* the Town’s net position by \$570,570.

General Fund Revenue:

- **All Revenues**, excluding Fund Balance Appropriated, were approximately 13% or \$362,618 *over* budget estimates.
- **Property Tax** – 4.6% or \$85,127 *over* budget due to budgeting at 98.5% of the tax levy and the tax base exceeding the budget estimate. Due to potential concerns with COVID-19 the collection rate was set at 98%.
- **Motor Vehicle Tax** – 16.8% or \$17,663 *over* budget. Due to ongoing collection success, the budgeted tax collection rate stayed level at 98.0%.
- **Sales Tax** – 32.6% or \$197,502 *over* budget. This is due to a very conservative budget due to COVID-19, coupled with a record setting sales tax collection year.
- **Utilities Sales Tax** – 2% or \$2,890 *over* budget. This revenue can fluctuate greatly depending on weather and customer usage, and the Town benefited from a cold winter.
- **Local ABC Revenue** – The store grew its mixed beverage customers through the year the distribution was 159% or \$54,065 *above* a conservative budget estimate.
- **Other Revenue** – minor increases/decreases over forecasted levels in other revenue lines.
- **Fund Balance Appropriated** – none of the \$80,050 appropriated to balance the budget was used, due to increases in revenue and departmental underspending from budgeted amounts.

General Fund Expenditures:

All Departments

- Overall expenditures are \$255,028 or 9% *under* budget.
- Minor decreases in forecasted levels of most departmental expenditures.

Administration

- \$40,845 or 7% *under* budget.
- Most of these savings were seen by general savings across the board due to less general activity from COVID-19.
- **Public Safety**
 - \$61,422 or 5.6% *under* budget.
 - Personnel costs were 13.2% or \$145,045 *under* budget, due to additional federal funding.

Public Works

- \$81,856 or 7.9% *under* budget.
 - Personnel costs were 8.5% or \$72,065 *under* budget, due to a position vacancy, and insurance costs.
 - Remainder due to general underspending in multiple line items.
 - Funded \$165,000 in road patching, paving, and storm drainage repairs.
-
- **Parks**
 - \$52,000 or 58% *under* budget.
 - Development of new department has resulted in lower costs than originally estimated. Council has directed staff to update the park's management plan to best address costs.

Business-type activities: Business-type activities *decreased* the Town's net position by \$(1,494,109). The key element of this decrease can be attributed mainly to lower personnel and maintenance costs.

Water Fund

- All Revenue were \$46,253 or 12.6% *under* budget.
- All Expenditures were \$118,027 or 27.8% *under* budget.

Sewer Fund

The Sewer Fund is an enterprise fund established to handle current sewer account transactions between Laurel Park and Hendersonville and to assist in financing future sewer needs for Laurel Park.

There were no significant issues with the execution of this fund. The fund itself had no direct operations after the sale of the water system to the City of Hendersonville.

Stormwater Fund

- All Revenue were \$9,697 or 16.3% *over* budget.
- All Expenditures were \$10,765 or 18.1% *under* budget.

Financial Analysis of the Town Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town'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. At the end of the current fiscal year, fund balance available in the General Fund was \$2,472,317, while total fund balance reached \$2,929,765. The Town currently has an available fund balance of 95.7% percent of total General Fund expenditures, while the total fund balance represents 113% of the same amount.

General Fund Budgetary Highlights – During the fiscal year, the Town revised the budget on three occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust

the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The following summarizes the adjustments made with the amendments:

Budget Amendment #1 - September 24, 2020

The Budget Amendment creates a Special Revenue Fund to account for the receipt of the CARES Act money from the State of North Carolina. These funds will be used to aid in the response to COVID-19. The total increase to the budget and fund is \$98,226, which will be expended through the Public Safety department and General Governmental expenditures.

Budget Amendment #2 - May 18, 2021

The Budget Amendment creates the Establishment and Maintenance of the Laurel Green Stream Restoration Project Capital Reserve Fund, with the purpose of aiding in the construction of and maintenance of the Laurel Green Stream restoration. This fund will remain operational for a period not to exceed five years (beginning May 18, 2021 and ending May 17, 2025) or until a cumulative sum not to exceed one hundred and thirty-five thousand (\$135,000) has been received. The Laurel Park Town Council will appropriate or transfer from the General Fund (10) an amount of no less than \$30,000 each year to the Capital Reserve Fund (23).

In summary, revenues were increased by \$30,000 and fund balance appropriated increased by \$30,000. Expenditures were increased by a matching \$30,000 with the creation of the fund.

Budget Amendment #3 - May 18, 2021

In General Fund revenue, the amendment reflects an additional \$2,500 within the Administrative Capital Outlay Line item, a decrease of \$2,500 with the Travel and Training Line item, an increase of \$30,000 to the US 64 Fund and appropriated an additional \$30,000 from Fund Balance.

The amendment of \$2,500 was made to accommodate a capital project on the Town Hall property to install an air conditioning unit. The amendment of \$30,000 was to facilitate the necessary transfer of \$30,000 to meet the US 64 Corridor Capital Reserve Fund goals and long term balance objectives.

In summary, revenues were increased by \$30,000 and fund balance appropriated increased by \$30,000. Expenditures were increased by a matching \$30,000.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year is \$412,410, the Sewer Fund is \$462,860 and the Stormwater Fund is \$20,462. The total *decrease* in net position occurring in the fiscal year for the Water Fund was (\$1,560,305), including the net book value of the assets transferred to the City of Hendersonville of \$1,518,241. The total *increase* in net position occurring in the fiscal year for the Sewer Fund was \$4,272. The total *increase* in net position occurring in the fiscal year for the Stormwater Fund was \$61,924. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town’s business-type activities.

Proprietary Fund Budgetary Highlights

- Basic services were conducted as forecasted and there were no significant issues with budget execution within the Water Fund. The overall costs associated with operating the water system were below budget projections.
- The Town sold the water system to the City of Hendersonville effective April 1, 2021 whereas the City began billing and collecting for water services as well as sewer services for Town residents. The Town was a pass through for the sewer service and purchased it in bulk while billing residents in the past. The City of Hendersonville had always owned and maintained the sewer lines.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business–type activities as of June 30, 2021, totals \$1,845,067 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following significant additions and dispositions:

- Purchased 2 vehicles, with installed equipment, for the police department under a capital lease.
- Purchased 2 vehicles, with installed equipment, for the public works department under a capital lease.
- Purchase and installation of new HVAC system for Town Hall.
- Purchase of a tractor with equipment attachments for the public works department.
- Replaced the culvert at Walnut Lane and Daniel Drive.

**Town of Laurel Park’s Capital Assets
(net of accumulated depreciation)
Figure 4**

| | Government Activities | | Business-type Activities | | Total | |
|---------------------------------|-----------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 616,416 | \$ 616,416 | \$ 46,201 | \$ 46,201 | \$ 662,617 | \$ 662,617 |
| Land Improvements | 327,180 | 343,561 | 41,462 | - | 368,642 | 343,561 |
| Buildings | 359,522 | 371,709 | - | - | 359,522 | 371,709 |
| Furniture and fixtures | 14,109 | 15,691 | - | - | 14,109 | 15,691 |
| Equipment | 123,741 | 131,729 | 716 | 40,764 | 124,457 | 172,493 |
| Computer equipment and software | 5,977 | 5,403 | - | 15,518 | 5,977 | 20,921 |
| Distribution system | - | - | 5,684 | 1,518,336 | 5,684 | 1,518,336 |
| Vehicles | 304,059 | 165,672 | | | 304,059 | 165,672 |
| Net assets, June 30 | <u>\$ 1,751,004</u> | <u>\$ 1,650,181</u> | <u>\$ 94,063</u> | <u>\$ 1,620,819</u> | <u>\$ 1,845,067</u> | <u>\$ 3,271,000</u> |

Additional information on the Town’s capital assets can be found in Note 2 on pages 34-36 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2021, the Town has long-term debt of \$918,834.

Town of Laurel Park's Long-Term Debt
Figure 5

| | Beginning of year | Additions | Retirements | End of year |
|----------------------------------|----------------------|-------------------|------------------|-------------------|
| Governmental Activities: | | | | |
| Capital lease obligations | \$ - | \$ 176,848 | \$ 10,061 | \$ 166,787 |
| Accrued vacation | 56,028 | 34,652 | 35,518 | 55,162 |
| Net pension liability (LGERS) | 384,182 | 111,894 | - | 496,076 |
| Total pension liability (LEO) | 81,697 | 84,892 | - | 166,589 |
| | <u>521,907</u> | <u>408,286</u> | <u>45,579</u> | <u>884,614</u> |
| Business-Type Activities: | | | | |
| Net pension liability (LGERS) | 25,183 | 9,037 | - | 34,220 |
| Accrued vacation | 5,369 | - | 5,369 | - |
| | <u>30,552</u> | <u>9,037</u> | <u>5,369</u> | <u>34,220</u> |
| Total long-term debt | <u>\$ 552,459</u> | <u>\$ 417,323</u> | <u>\$ 50,948</u> | <u>\$ 918,834</u> |

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$35,443,340.

Additional information regarding the Town of Laurel Park's long-term debt can be found on pages 46 - 47 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators were used in the budget preparation for the fiscal year ending June 30, 2022.

- COVID-19 has created an unstable economic environment which proves difficult to forecast. Town staff will continue to monitor the changing economic conditions, due to their high potential for volatility.
- The Town's tax base has effectively stayed level. Town staff expect the property tax collection rate to be 97%, in line with the previous economic recession of 2008.
- No change in the property tax rate of \$0.435 per \$100 valuation. Each penny of the tax rate generates approximately \$43,000 in revenue. Of the 43.5 cents in taxes, 10 cents is paid to Valley Hill Fire & Rescue Department for fire protection services, and 33.5 cents is retained by the Town for General Fund services.
- Sales tax revenue are projected to increase. The FY 2022 Budget contains an increase of \$125,000, or 22% from the FY 21 budget.
- Most other revenue sources indicate general decline in line with predicted economic decreases.
- Health Insurance premiums are budgeted to increase 8% on January 1, 2022 as part of the State Health Plan.
- Employees received a 1.3% COLA and a merit-based increase of up to 4%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

- The adopted General Fund budget is \$3,070,575, based on an ad valorem tax rate on property of 43.5 cents per \$100 valuation.
- There is a fund balance appropriation of \$122,100 in the adopted budget, to buffer the potential economic impacts of COVID-19.
- All Town departments were asked to hold spending close to level over the previous fiscal year.
- The Town continued investing in street infrastructure improvements.

Business – type Activities:

- The adopted Water Fund budget is \$5,000.
- The adopted Sewer Fund budget is \$5,000.
- The adopted Stormwater Fund is budgeted at \$73,000.
- Within the adopted fee schedule, there was no change to the water or sewer rate structure.
- The Town of Laurel Park and City of Hendersonville will work toward a smooth transition of services when the water system is sold in April 2021.

Requests for Information

This report is designed to provide an overview of the Town 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 Michael J. Morgan, Interim Town Manager, 441 White Pine Drive, Laurel Park, NC 28739-0910, Telephone: 828-693-4840, or townmanager@laurelpark.org.

BASIC FINANCIAL STATEMENTS

Town of Laurel Park, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

| | Primary Government | | | Town of Laurel Park ABC Board |
|---|----------------------------|-----------------------------|--------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,750,626 | \$ 891,199 | \$ 3,641,825 | \$ 281,047 |
| Taxes receivable (net) | 5,316 | - | 5,316 | - |
| Accounts receivable (net) | 9,477 | 24,719 | 34,196 | - |
| Interest receivable | 5,752 | - | 5,752 | - |
| Due from other governments | 231,630 | - | 231,630 | - |
| Due from component unit | 26,938 | - | 26,938 | - |
| Internal balances | 1,550 | (1,550) | - | - |
| Inventories | - | - | - | 186,577 |
| Prepaid items | - | - | - | 11,841 |
| Restricted cash and cash equivalents | - | - | - | - |
| Total current assets | 3,031,289 | 914,368 | 3,945,657 | 479,465 |
| Non-current assets: | | | | |
| Capital assets (Note 2): | | | | |
| Land and other non-depreciable assets | 616,416 | 46,201 | 662,617 | - |
| Other capital assets, net of depreciation | 1,134,588 | 47,862 | 1,182,450 | 900 |
| Total capital assets | 1,751,004 | 94,063 | 1,845,067 | 900 |
| Total assets | 4,782,293 | 1,008,431 | 5,790,724 | 480,365 |
| Deferred Outflows of Resources | | | | |
| Pension deferrals | 332,867 | 16,466 | 349,333 | 13,991 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Current portion of long-term liabilities | 34,286 | - | 34,286 | - |
| Accounts payable | 41,045 | (2,094) | 38,951 | 166,196 |
| Due to primary government | - | - | - | 26,938 |
| Customer deposits | - | - | - | - |
| Long-term liabilities: | | | | |
| Net pension liability | 496,076 | 34,220 | 530,296 | 24,655 |
| Total pension liability | 166,589 | - | 166,589 | - |
| Due in more than one year | 187,663 | - | 187,663 | - |
| Total liabilities | 925,659 | 32,126 | 957,785 | 217,789 |
| Deferred Inflows of Resources | | | | |
| Pension deferrals | 26,871 | 2,976 | 29,847 | 187 |
| Net Position | | | | |
| Net investment in capital assets | 1,584,217 | 94,063 | 1,678,280 | 900 |
| Restricted for: | | | | |
| Working capital | - | - | - | 55,685 |
| Stabilization by state statute | 275,348 | - | 275,348 | - |
| Capital reserves | 60,000 | - | 60,000 | - |
| Unrestricted | 2,243,065 | 895,732 | 3,138,797 | 219,795 |
| Total net position | \$ 4,162,630 | \$ 989,795 | \$ 5,152,425 | \$ 276,380 |

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

Town of Laurel Park, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Town of Laurel Park ABC Board |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 577,863 | \$ - | \$ - | \$ - | \$ (577,863) | \$ - | \$ (577,863) | \$ - |
| Public safety | 1,130,136 | 3,238 | 110,551 | - | (1,016,347) | - | (1,016,347) | - |
| Transportation | 722,152 | - | 89,117 | - | (633,035) | - | (633,035) | - |
| Environmental protection | 176,955 | - | - | - | (176,955) | - | (176,955) | - |
| Parks | 57,581 | - | 25,930 | - | (31,651) | - | (31,651) | - |
| Interest on long-term debt | 1,840 | - | - | - | (1,840) | - | (1,840) | - |
| Total governmental activities | 2,666,527 | 3,238 | 225,598 | - | (2,437,691) | - | (2,437,691) | - |
| Business-type activities: | | | | | | | | |
| Water and sewer | 429,498 | 439,340 | - | - | - | 9,842 | 9,842 | - |
| Total primary government | \$ 3,096,025 | \$ 442,578 | \$ 225,598 | \$ - | (2,437,691) | 9,842 | (2,427,849) | \$ - |
| Component unit: | | | | | | | | |
| ABC Board | \$ 1,865,505 | \$ 1,878,817 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,312 |
| General revenues: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 1,922,681 | - | 1,922,681 | - |
| Unrestricted intergovernmental revenues | | | | | 1,075,586 | - | 1,075,586 | - |
| Unrestricted investment earnings | | | | | 1,670 | 119 | 1,789 | 175 |
| Miscellaneous | | | | | 8,324 | 14,171 | 22,495 | - |
| Total general revenues excluding special items | | | | | 3,008,261 | 14,290 | 3,022,551 | 175 |
| Special item - Sale of water system to City of Hendersonville | | | | | - | (1,518,241) | (1,518,241) | - |
| Total general revenues and special item | | | | | 3,008,261 | (1,503,951) | 1,504,310 | 175 |
| Change in net position | | | | | 570,570 | (1,494,109) | (923,539) | 13,487 |
| Net position, beginning | | | | | 3,592,060 | 2,483,904 | 6,075,964 | 262,893 |
| Net position, ending | | | | | \$ 4,162,630 | \$ 989,795 | \$ 5,152,425 | \$ 276,380 |

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

Town of Laurel Park, North Carolina

Exhibit 3

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

| | <u>Major Fund</u> | <u>Non-Major Fund</u> | |
|--|---------------------|---|-------------------------------------|
| | <u>General Fund</u> | <u>Cares Act Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,750,626 | \$ - | \$ 2,750,626 |
| Receivables, net: | | | |
| Taxes | 5,316 | - | 5,316 |
| Interest | 5,752 | - | 5,752 |
| Accounts | 9,478 | - | 9,478 |
| Due from other governments | 231,630 | - | 231,630 |
| Due from component unit | 26,938 | - | 26,938 |
| Due from other funds | 1,550 | - | 1,550 |
| | <u>3,031,290</u> | <u>-</u> | <u>3,031,290</u> |
| Total assets | <u>\$ 3,031,290</u> | <u>\$ -</u> | <u>\$ 3,031,290</u> |
| Liabilities | | | |
| Accounts payable | 41,047 | - | 41,047 |
| Accrued vacation | 55,162 | - | 55,162 |
| Total liabilities | <u>96,209</u> | <u>-</u> | <u>96,209</u> |
| Deferred Inflows of Resources | | | |
| Property taxes receivable | 5,316 | - | 5,316 |
| Total deferred inflows of resources | <u>5,316</u> | <u>-</u> | <u>5,316</u> |
| Fund Balances | | | |
| Restricted | | | |
| Stabilization by State Statute | 275,348 | - | 275,348 |
| Capital reserves | 60,000 | - | 60,000 |
| Assigned | | | |
| Subsequent year's expenditures | 122,100 | - | 122,100 |
| Unassigned | 2,472,317 | - | 2,472,317 |
| Total fund balances | <u>2,929,765</u> | <u>-</u> | <u>2,929,765</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,031,290</u> | <u>\$ -</u> | <u>\$ 3,031,290</u> |

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

Town of Laurel Park, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3
(continued)

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

Total fund balance, governmental funds \$ 2,929,765

Capital assets used in governmental activities are not financial resources and therefore are not reported in funds. 1,751,004

Deferred outflows of resources related to pensions are not reported in the funds 332,867

Earned revenues considered deferred inflows of resources in fund statements. 5,316

Long-term liabilities used in governmental activities are not financial resources and therefore are not reported in the funds.

 Long-term debt (166,786)

 Net pension liability (496,076)

 Total pension liability (166,589)

Deferred inflows of resources related to pensions are not reported in the funds (26,871)

\$ 4,162,630

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

Town of Laurel Park, North Carolina
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

| | <u>Major Fund</u> | <u>Non-Major Fund</u> | <u>Total</u> |
|---|---------------------|---|-------------------------------|
| | <u>General Fund</u> | <u>Cares Act Special Revenue Fund</u> | <u>Governmental Funds</u> |
| Revenues: | | | |
| Ad valorem taxes | \$ 1,928,127 | \$ - | \$ 1,928,127 |
| Unrestricted intergovernmental revenues | 1,075,586 | - | 1,075,586 |
| Restricted intergovernmental revenues | 101,442 | 98,226 | 199,668 |
| Permits and fees | 3,238 | | 3,238 |
| Investment earnings | 1,670 | | 1,670 |
| Miscellaneous | 34,255 | | 34,255 |
| Total revenues | <u>3,144,318</u> | <u>98,226</u> | <u>3,242,544</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 545,025 | 2,808 | 547,833 |
| Public safety | 1,029,178 | 95,418 | 1,124,596 |
| Transportation | 777,469 | - | 777,469 |
| Environmental protection | 176,955 | - | 176,955 |
| Parks | 38,021 | - | 38,021 |
| Debt service: | | | |
| Principal | 15,234 | - | 15,234 |
| Interest | 1,840 | - | 1,840 |
| Total expenditures | <u>2,583,722</u> | <u>98,226</u> | <u>2,681,948</u> |
| Revenues over (under) expenditures | 560,596 | - | 560,596 |
| Other financing sources (uses): | | | |
| Sale of capital assets | - | - | - |
| Transfers to other funds | - | - | - |
| Capital lease obligations issued | 176,870 | | 176,870 |
| | <u>176,870</u> | <u>-</u> | <u>176,870</u> |
| Net change in fund balance | 737,466 | - | 737,466 |
| Fund balances | | | |
| Beginning of year, July 1 | <u>2,192,299</u> | <u>-</u> | <u>2,192,299</u> |
| End of year, June 30 | <u>\$ 2,929,765</u> | <u>\$ -</u> | <u>\$ 2,929,765</u> |

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

Town of Laurel Park, North Carolina
Reconciliation of the Statement of Revenue, Expenditures, and
Changes in Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Exhibit 4
(continued)

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

| | | |
|---|------------------|--------------------------|
| Net changes in fund balances - governmental fund | | \$ 737,466 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Capital outlay expenditures which were capitalized | 251,478 | |
| Depreciation expense for governmental assets | <u>(150,655)</u> | 100,823 |
| <p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p> | | |
| | | 85,943 |
| <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 | | (5,446) |
| <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> | | |
| Capital lease obligations issued | (176,870) | |
| Principal payments on long-term debt | <u>10,083</u> | (166,787) |
| <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> | | |
| Pension expense | | (159,128) |
| Other postemployment benefits | | <u>(22,301)</u> |
| Total change in net position of governmental activities | | <u><u>\$ 570,570</u></u> |

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

**Town of Laurel Park, North Carolina
General Fund**

Exhibit 5

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

| | Original | Final | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|---------------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 1,843,000 | \$ 1,843,000 | \$ 1,928,127 | \$ 85,127 |
| Unrestricted intergovernmental revenues | 793,700 | 823,700 | 1,075,586 | 251,886 |
| Restricted intergovernmental revenues | 84,500 | 84,500 | 101,442 | 16,942 |
| Permits and fees | 1,500 | 1,500 | 3,238 | 1,738 |
| Investment earnings | 16,000 | 16,000 | 1,670 | (14,330) |
| Miscellaneous | 13,000 | 13,000 | 34,255 | 21,255 |
| Total revenues | 2,751,700 | 2,781,700 | 3,144,318 | 362,618 |
| Expenditures: | | | | |
| General government | 585,870 | 585,870 | 545,025 | 40,845 |
| Public safety | 1,090,600 | 1,090,600 | 1,029,178 | 61,422 |
| Transportation | 852,200 | 852,200 | 777,469 | 74,731 |
| Environmental protection | 184,080 | 184,080 | 176,955 | 7,125 |
| Parks | 90,000 | 90,000 | 38,021 | 51,979 |
| Debt service: | | | | |
| Principal retirement | 36,000 | 0 | 15,234 | (15,234) |
| Interest and other charges | - | - | 1,840 | (1,840) |
| Total expenditures | 2,838,750 | 2,802,750 | 2,583,722 | 219,028 |
| Revenues over (under) expenditures | (87,050) | (21,050) | 560,596 | 581,646 |
| Other financing sources (uses): | | | | |
| Capital lease obligations issued | - | - | 176,870 | 176,870 |
| Sale of capital assets | 8,000 | 8,000 | - | (8,000) |
| Fund balance appropriated | 80,050 | 80,050 | - | (80,050) |
| Transfers to other funds | (1,000) | (31,000) | (60,000) | (29,000) |
| Total other financing sources (uses): | 87,050 | 57,050 | 116,870 | 59,820 |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ 36,000 | 677,466 | \$ 641,466 |
| Fund balances | | | | |
| Beginning of year, July 1 | | | 2,162,299 | |
| End of year, June 30 | | | \$ 2,839,765 | |
| Legally budgeted Highway 64 Sidewalk and Greenspace Capital Reserve Fund and Laurel Green Stream Restoration Capital Reserve Fund are consolidated in the General Fund for reporting purposes: | | | | |
| Transfers from the general fund | | | 60,000 | |
| | | | 60,000 | |
| Fund balance, beginning | | | 30,000 | |
| Fund balance, ending (Exhibit 3) | | | \$ 2,929,765 | |

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

Town of Laurel Park, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

Exhibit 6

| | Major Enterprise Funds | | | Total |
|---|-------------------------------|-------------------|------------------------|-------------------|
| | Water Fund | Sewer Fund | Stormwater Fund | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 438,798 | \$ 438,531 | \$ 13,870 | \$ 891,199 |
| Accounts receivables (net)-billed | 17,808 | 329 | 6,582 | 24,719 |
| Restricted cash and cash equivalents | - | - | - | - |
| Due from water fund | - | 24,000 | - | 24,000 |
| Total current assets | <u>456,606</u> | <u>462,860</u> | <u>20,452</u> | <u>939,918</u> |
| Noncurrent assets: | | | | |
| Due from water fund | | - | - | - |
| Capital assets: | | | | |
| Land and other non-depreciable assets | 46,201 | - | - | 46,201 |
| Other capital assets, net of depreciation | 6,400 | - | 41,462 | 47,862 |
| Capital assets (net) | <u>52,601</u> | <u>-</u> | <u>41,462</u> | <u>94,063</u> |
| Total noncurrent assets | <u>52,601</u> | <u>-</u> | <u>41,462</u> | <u>94,063</u> |
| Total assets | <u>509,207</u> | <u>462,860</u> | <u>61,914</u> | <u>1,033,981</u> |
| Deferred Outflows of Resources | | | | |
| Pension deferrals | <u>16,466</u> | <u>-</u> | <u>-</u> | <u>16,466</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | (2,084) | - | (10) | (2,094) |
| Due to general fund | 1,550 | - | - | 1,550 |
| Due to sewer fund | 24,000 | - | - | 24,000 |
| Customer deposits | - | - | - | - |
| Total current liabilities | <u>23,466</u> | <u>-</u> | <u>(10)</u> | <u>23,456</u> |
| Noncurrent liabilities: | | | | |
| Due to sewer fund | - | - | - | - |
| Accrued vacation | - | - | - | - |
| Net pension liability | 34,220 | - | - | 34,220 |
| Total noncurrent liabilities | <u>34,220</u> | <u>-</u> | <u>-</u> | <u>34,220</u> |
| Total liabilities | <u>57,686</u> | <u>-</u> | <u>(10)</u> | <u>57,676</u> |
| Deferred Inflows of Resources | | | | |
| Pension deferrals | <u>2,976</u> | <u>-</u> | <u>-</u> | <u>2,976</u> |
| Net Position | | | | |
| Net investment in capital assets | 52,601 | - | 41,462 | 94,063 |
| Unrestricted | 412,410 | 462,860 | 20,462 | 895,732 |
| Total net position | <u>\$ 465,011</u> | <u>\$ 462,860</u> | <u>\$ 61,924</u> | <u>\$ 989,795</u> |

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

Town of Laurel Park, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 7

| | Major Enterprise Funds | | | Total |
|--|-------------------------------|-------------------|------------------------|-------------------|
| | Water Fund | Sewer Fund | Stormwater Fund | |
| Operating Revenues | | | | |
| Charges for services | \$ 286,061 | \$ 64,182 | \$ 69,097 | \$ 419,340 |
| Meter installation | 20,000 | - | - | 20,000 |
| Total operating revenues | <u>306,061</u> | <u>64,182</u> | <u>69,097</u> | <u>439,340</u> |
| Operating Expenses | | | | |
| Administration | 31,737 | - | - | 31,737 |
| Operations | 280,597 | 60,014 | 6,351 | 346,962 |
| Depreciation | 49,977 | - | 822 | 50,799 |
| Total operating expenses | <u>362,311</u> | <u>60,014</u> | <u>7,173</u> | <u>429,498</u> |
| Operating income (loss) | (56,250) | 4,168 | 61,924 | 9,842 |
| Nonoperating revenues (expenses) | | | | |
| Investment earnings | 15 | 104 | - | 119 |
| Miscellaneous income | 14,171 | - | - | 14,171 |
| Total nonoperating revenues | <u>14,186</u> | <u>104</u> | <u>-</u> | <u>14,290</u> |
| Income/(loss) before special item | (42,064) | 4,272 | 61,924 | 24,132 |
| Special item | | | | |
| Sale of water system to City of Hendersonville | (1,518,241) | - | - | (1,518,241) |
| Change in net position | (1,560,305) | 4,272 | 61,924 | (1,494,109) |
| Total net position, beginning | 2,025,316 | 458,588 | - | 2,483,904 |
| Total net position, ending | <u>\$ 465,011</u> | <u>\$ 462,860</u> | <u>\$ 61,924</u> | <u>\$ 989,795</u> |

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

Town of Laurel Park, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 8

| | Major Enterprise Funds | | | Total |
|---|-------------------------------|-------------------|------------------------|-------------------|
| | Water Fund | Sewer Fund | Stormwater Fund | |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 353,180 | \$ 80,042 | \$ 62,515 | \$ 495,737 |
| Cash paid for goods and services | (255,491) | (74,423) | (6,361) | (336,275) |
| Cash paid to employees for services | (68,800) | - | - | (68,800) |
| Net cash provided (used) by operating activities | <u>28,889</u> | <u>5,619</u> | <u>56,154</u> | <u>90,662</u> |
| Cash flows from noncapital financing activities: | | | | |
| Miscellaneous income | 14,171 | - | - | 14,171 |
| Net cash provided by noncapital financing activities | <u>14,171</u> | <u>-</u> | <u>-</u> | <u>14,171</u> |
| Cash flows from capital and related financing activities: | | | | |
| Loan repayments from water to sewer fund | - | - | - | - |
| Purchase of capital assets | - | - | (42,284) | (42,284) |
| Net cash provided (used) by capital and financing activities | <u>-</u> | <u>-</u> | <u>(42,284)</u> | <u>(42,284)</u> |
| Cash flows from investing activities: | | | | |
| Interest on investments | 15 | 104 | - | 119 |
| Net (decrease) increase in cash and cash equivalents | 43,075 | 5,723 | 13,870 | 62,668 |
| Cash and cash equivalents, beginning of year | 395,723 | 432,808 | - | 828,531 |
| Cash and cash equivalents, end of year | <u>\$ 438,798</u> | <u>\$ 438,531</u> | <u>\$ 13,870</u> | <u>\$ 891,199</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (56,250) | \$ 4,168 | \$ 61,924 | \$ 9,842 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 49,977 | - | 822 | 50,799 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 50,164 | 15,859 | (6,582) | 59,441 |
| (Increase) decrease in deferred outflows of resources for pensions | (3,176) | - | - | (3,176) |
| Increase (decrease) in accounts payable | (12,499) | (14,408) | (10) | (26,917) |
| Increase (decrease) in customer deposits | (3,045) | - | - | (3,045) |
| Increase (decrease) in compensated absences | (5,369) | - | - | (5,369) |
| Increase (decrease) in net pension liability | 9,037 | - | - | 9,037 |
| Increase (decrease) in deferred inflows of resources for pensions | 50 | - | - | 50 |
| Total adjustments | <u>85,139</u> | <u>1,451</u> | <u>(5,770)</u> | <u>80,820</u> |
| Net cash provided (used) by operating activities | <u>\$ 28,889</u> | <u>\$ 5,619</u> | <u>\$ 56,154</u> | <u>\$ 90,662</u> |

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

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Laurel Park, North Carolina (the Town) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a four-member council. The municipality utilizes the council-manager form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statement in order to emphasize that it is legally separate from the Town.

Town of Laurel Park ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office located at 1709 Brevard Road, Hendersonville, NC 28739.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State grants and various other taxes and licenses. The primary expenditures are for general government services, public safety, streets and highways, and environmental protection. The Town has two separate capital reserve funds that are consolidated with the general fund in accordance with the guidance of GASB 54.

The Town reports the following major enterprise funds:

Water Fund – This fund is used to account for the Town's water operations.

Sewer Fund – This fund is used to account for the Town's sewer operations.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Henderson County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-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 budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Highway 64 Sidewalk and Greenspace Capital Reserve Fund, The Laurel Green Stream Restoration Project Capital Reserve Fund, the Cares Act Special Revenue Fund and the Enterprise Funds. 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 departmental level for all annually budgeted funds. 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

Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Ad Valorem Taxes Receivable

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

Allowances for Doubtful Accounts

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

Inventory and Prepaid Items

The inventory of the ABC Board is valued at cost (first-in, first-out), which approximates market.

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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>Estimated Useful Lives(years)</u> |
|-----------------------------|--------------------------------------|
| Building | 40 |
| Land Improvements | 10-50 |
| Plant & Distribution System | 10-50 |
| Furniture | 10 |
| Equipment and Vehicles | 7 |
| Computer Equipment | 7-10 |
| Computer Software | 10 |

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

| <u>Asset Class</u> | <u>Estimated Useful Lives(years)</u> |
|------------------------|--------------------------------------|
| Leasehold Improvements | 10 |
| Furniture & Equipment | 5 - 10 |

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

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

In fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Accrued Vacation

Each full-time employee of the Town shall earn annual leave at the following schedule, prorated by the average number of hours in the workweek:

| <u>Years of Service</u> | <u>Accrued Per Year</u> |
|--------------------------------|--------------------------------|
| 0 – 4 | two (2) weeks |
| 5 – 9 | three (3) weeks |
| 10 + | four (4) weeks |

Vacation leave may be accumulated without any applicable maximum until December 31 of each year. However, if the employee departs from service, payment for accumulated vacation leave shall not exceed two hundred forty (240) hours. Effective the last payroll in the calendar year, any employee with more than two hundred forty (240) hours of accumulated leave shall have the excess accumulation removed. Employees who take a minimum of one week (5 days for a regular work week employee) of vacation during the calendar year may have any excess vacation leave over two hundred forty (240) hours converted to sick leave. Employees who do not take a minimum of one week or 40 hours of vacation will lose the excess vacation. The Town records a liability for accrued vacation.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but 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 an obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balance as follows:

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

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

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

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 Capital Reserve for Highway 64 Sidewalk and Greenspace – the portion of fund balance restricted by the Board for the construction of greenspaces, sidewalks and pedestrian amenities along Highway 64/Brevard Road.

Restricted for Capital Reserve for Laurel Green Stream Restoration Project – the portion of fund balance restricted by the Board for the construction and restoration of the Laurel Green Stream.

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriations; however, the budget ordinance authorizes the Finance Officer to reallocate departmental appropriations among the various expenditures within each department. The authority also permits the Finance Officer to make interdepartmental transfers of minor budget amendments not to exceed 10% (ten percent) of the appropriated funds for the department's allocation that is being used.

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

The Town of Laurel Park 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.

Defined Benefit Cost-Sharing Plans

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

Note 2 – Stewardship, Compliance, and Accountability

Budget Adoption Violation for a Capital Reserve Fund

The Town did not include the annual budget for the Highway 64 Sidewalk and Greenspace Capital Reserve Fund in its fiscal year 2020-2021 budget ordinance, nor did it amend the budget during fiscal year 2021 to include this fund. In the general fund budget, the transfer to this capital reserve fund was included. This was an oversight and the Town will include a separate balanced budget for this fund in future years.

Note 3 – Detail Notes on All Funds

A. Assets

Deposits

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

potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board do not have a deposit policy for custodial credit risk.

On June 30, 2021, the Town’s deposits had a carrying amount of \$896,251 and a bank balance of \$932,758. The carrying amount of the deposits for the ABC Board was \$279,672 and a bank balance of \$275,647. Of the bank balance of the Town, \$442,000 is covered by federal depository insurance and the balance is covered under the Pooling Method. Of the bank balance of the ABC Board, \$250,000 is covered by federal depository insurance and the balance is covered under the Pooling Method. The Town has \$100 of cash on hand.

Investments

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

| Investment Type | Valuation Measurement Method | Book Value at 6/30/2021 | Maturity | Rating |
|--|-------------------------------------|--------------------------------|-----------------|---------------|
| NC Capital Management Trust - Government Portfolio | Fair Value Level 1 | <u>\$ 2,361,264</u> | N/A | AAAm |

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

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

Custodial credit risk. The Town has no formal policy on custodial credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

At June 30, 2021, the ABC Board had no investments.

Receivables - Allowances for Doubtful Accounts

The amounts of taxes receivable presented in the Balance Sheet and the Statement of Net Position included penalties levied and outstanding in the amount of \$5,752.

The amounts presented in the Balance Sheet and the Statement of Net Position for receivables are net of the following allowances for doubtful accounts:

| | <u>June 30, 2021</u> |
|----------------------------------|----------------------|
| General Fund: | |
| Taxes receivable | \$ <u>11,411</u> |
| Enterprise Funds: | |
| Water fund – accounts receivable | 6,943 |
| Sewer fund – accounts receivable | <u>845</u> |
| Total Enterprise Funds | <u>7,788</u> |
| Total | \$ <u>19,199</u> |

Capital Assets

Capital asset activity for the Town and ABC Board for the year ended June 30, 2021 was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 616,416 | \$ - | \$ - | \$ 616,416 |
| Total capital assets not being depreciated | <u>616,416</u> | <u>-</u> | <u>-</u> | <u>616,416</u> |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 512,958 | - | - | 512,958 |
| Buildings | 624,404 | 4,100 | - | 628,504 |
| Furniture & Fixtures | 39,225 | 1,622 | - | 40,847 |
| Equipment | 271,152 | 27,227 | - | 298,379 |
| Computer Equipment | 33,935 | 2,640 | - | 36,575 |
| Vehicles | 771,957 | 215,888 | - | 987,845 |
| Total capital assets being depreciated | <u>2,253,631</u> | <u>251,477</u> | <u>-</u> | <u>2,505,108</u> |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | 169,397 | 16,381 | - | 185,778 |
| Buildings | 252,695 | 16,287 | - | 268,982 |
| Furniture & Fixtures | 23,534 | 3,204 | - | 26,738 |
| Equipment | 139,423 | 35,215 | - | 174,638 |
| Computer Equipment | 28,532 | 2,066 | - | 30,598 |
| Vehicles | 606,285 | 77,501 | - | 683,786 |
| Total accumulated depreciation | <u>1,219,866</u> | <u>150,654</u> | <u>-</u> | <u>1,370,520</u> |
| Total capital assets being depreciated, net | <u>1,033,765</u> | | | <u>1,134,588</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 1,650,181</u> | | | <u>\$ 1,751,004</u> |

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

| | |
|--------------------|-------------------|
| General government | \$ 12,973 |
| Public Safety | 43,254 |
| Transportation | 73,244 |
| Parks | <u>21,183</u> |
| | <u>\$ 150,654</u> |

Business-Type:

The capital assets for the Proprietary Water Fund for the year ended June 30, 2021 are as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 46,201 | \$ - | \$ - | \$ 46,201 |
| Total capital assets not being depreciated | <u>46,201</u> | <u>-</u> | <u>-</u> | <u>46,201</u> |
| Capital Assets Being Depreciated: | | | | |
| Plant and Distribution System | 2,977,200 | - | 2,920,720 | 56,480 |
| Computer Equipment | 27,245 | - | 27,245 | - |
| Furniture & Equipment | 143,287 | - | 103,958 | 39,329 |
| Total capital assets being depreciated | <u>3,147,732</u> | <u>-</u> | <u>3,051,923</u> | <u>95,809</u> |
| Less Accumulated Depreciation For: | | | | |
| Plant and Distribution System | 1,458,864 | 41,918 | 1,449,986 | 50,796 |
| Computer Equipment | 11,125 | 2,043 | 13,168 | - |
| Furniture & Equipment | 103,125 | 6,016 | 70,528 | 38,613 |
| Total accumulated depreciation | <u>1,573,114</u> | <u>49,977</u> | <u>1,533,682</u> | <u>89,409</u> |
| Total capital assets being depreciated, net | <u>1,574,618</u> | | | <u>6,400</u> |
| Water Fund Capital Assets, Net | <u>\$ 1,620,819</u> | | | <u>\$ 52,601</u> |

Sale of the Water Distribution System:

On April 1, 2021, the Town sold its water distribution system to the City of Hendersonville (the City) for the sum of \$1. In addition to the transfer of assets, the Town also conveyed easements associated with the water system. The Town and the City entered into a lease agreement whereby the City leases from the Town certain buildings that are used for operation and maintenance of the water system for \$1, payable at the beginning of each year. The term of the lease is sixty years, ending on March 31, 2081.

Prior to the date of the sale, the Town has purchased sewer services from the City of Hendersonville. The Town billed its residents for these services, with the billings for water services. These billings by the Town ceased when the water system was sold.

It is the intent of the Town to close the water and sewer funds in fiscal year 2022, transferring any remaining assets to the general fund.

The capital assets for the Proprietary Stormwater Fund for the year ended June 30, 2021 are as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Business-Type Activities: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Stormwater Improvements | \$ - | \$ 42,284 | \$ - | \$ 42,284 |
| Total capital assets being depreciated | <u>-</u> | <u>42,284</u> | <u>-</u> | <u>42,284</u> |
| Less Accumulated Depreciation For: | | | | |
| Less Accumulated Depreciation For: | - | 822 | - | 822 |
| Total accumulated depreciation | <u>-</u> | <u>822</u> | <u>-</u> | <u>822</u> |
| Total capital assets being depreciated, net | <u>-</u> | | | <u>41,462</u> |
| Stormwater Fund Capital Assets, Net | <u>\$ -</u> | | | <u>\$ 41,462</u> |

Component Unit:

The capital assets of the ABC Board for the year ended June 30, 2021 are as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Capital Assets Being Depreciated: | | | | |
| Leasehold Improvements | \$ 14,613 | \$ - | \$ - | \$ 14,613 |
| Equipment & Furniture | 69,961 | - | - | 69,961 |
| Computer Equipment | <u>2,141</u> | <u>-</u> | <u>-</u> | <u>2,141</u> |
| Total capital assets being depreciated | <u>86,715</u> | <u>-</u> | <u>-</u> | <u>86,715</u> |
| Less accumulated depreciation for: | | | | |
| Leasehold Improvements | 14,613 | - | - | 14,613 |
| Equipment & Furniture | 65,422 | 3,639 | - | 69,061 |
| Computer Equipment | <u>2,141</u> | <u>-</u> | <u>-</u> | <u>2,141</u> |
| Total accumulated depreciation | <u>82,176</u> | <u>3,639</u> | <u>-</u> | <u>85,815</u> |
| ABC Board Capital Assets, Net | <u>\$ 4,539</u> | | | <u>\$ 900</u> |

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town and the ABC Board is a participating employer in to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. 12 Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who

serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Laurel Park employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Laurel Park's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.21% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Laurel Park were \$92,885 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 \$530,296 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.01484%, which was a decrease of 0.00015% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$171,980. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 66,968 | \$ - |
| Changes of assumptions | 39,464 | - |
| Net difference between projected and actual earnings on pension plan investments | 74,625 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 2,957 | 27,531 |
| Town contributions subsequent to the measurement date | 92,885 | - |
| Total | <u>\$ 276,899</u> | <u>\$ 27,531</u> |

\$92,885 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|-------------------|
| 2022 | \$ 44,418 |
| 2023 | 58,354 |
| 2024 | 31,625 |
| 2025 | 22,086 |
| 2026 | - |
| Thereafter | - |
| | <u>\$ 156,483</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 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:

| <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 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Town’s proportionate share of the net pension 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:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 1,075,914 | \$ 530,296 | \$ 76,850 |

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

Law Enforcement Officers Special Separation Allowance

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

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

At December 31, 2020, the Separation Allowance’s membership consisted of:

| | |
|--|----------|
| Retirees receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>7</u> |
| Total | <u>7</u> |

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

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

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

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through the general fund. The Town did not pay any benefits for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$166,589. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$22,301.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 6,682 | \$ 129 |
| Changes of assumptions and other inputs | 65,752 | 2,187 |
| Town benefit payments and plan administrative expense made subsequent to the measurement date | - | - |
| Total | <u>\$ 72,434</u> | <u>\$ 2,316</u> |

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2022 | \$ 12,698 |
| 2023 | 12,698 |
| 2024 | 12,790 |
| 2025 | 12,058 |
| 2026 | 11,406 |
| Thereafter | 8,467 |

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

| | 1% Decrease (0.93%) | Discount Rate (1.93%) | 1% Increase (2.93%) |
|-------------------------|--------------------------------|--------------------------------------|------------------------------------|
| Total pension liability | \$ 181,692 | \$ 166,589 | \$ 152,566 |

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

| | 2021 |
|--|-------------|
| Beginning balance | \$ 81,697 |
| Service Cost | 6,940 |
| Interest on the total pension liability | 2,663 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 2,741 |
| Changes of assumptions or other inputs | 72,548 |
| Benefit payments | - |
| Other changes | - |
| Ending balance of the total pension liability | \$ 166,589 |

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

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

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

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

| | LGERS | LEOSSA | Total |
|--|--------------|---------------|--------------|
| Pension Expense | \$ 171,980 | \$ 22,301 | \$ 194,281 |
| Pension Liability | 530,296 | 166,589 | 696,885 |
| Proportionate share of the net pension liability | 0.01484% | n/a | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | 66,968 | 6,682 | 73,650 |
| Changes of assumptions and other inputs | 39,464 | 65,752 | 105,216 |
| Net difference between projected and actual earnings on plan investments | 74,625 | - | 74,625 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,957 | - | 2,957 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 92,885 | - | 92,885 |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | - | 129 | 129 |
| Changes of assumptions | - | 2,187 | 2,187 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 27,531 | - | 27,531 |

Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. General employees may also make voluntary contributions to the plan. The Town is not required to contribute for general employees. However, the Town does contribute five percent of participating general employee salary.

The Town made contributions of \$17,174 for law enforcement officers and \$27,254 for general employees for the reporting year. No amounts were forfeited.

Other Employment Benefits

The Town has elected to provide death benefits to law enforcement officers 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 consecutive month's salary during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the 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 on 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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

| Source | Amount |
|---|-------------------|
| Contributions to pension plan in current fiscal year | \$ 92,885 |
| Difference between expected and actual earnings | 73,650 |
| Changes of assumptions and other inputs | 105,216 |
| Net difference between projected and actual earnings on pension plan investments | 74,625 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,957 |
| | <u>\$ 349,333</u> |

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

| Source | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Property taxes receivable (General Fund) | \$ - | \$ 5,316 |
| Differences between expected and actual experience | 129 | - |
| Changes in assumptions | 2,187 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions. | 27,531 | - |
| | <u>\$ 29,847</u> | <u>\$ 5,316</u> |

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in self-funded risk financing pools administered by the North Carolina League of Municipalities and provides health insurance through the State Health Plan. Through these pools, the Town obtains general and auto liability of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability/ property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for risks of loss related to commercial property, automobiles, and public official dishonesty. Settled claims have not exceeded coverage in any of the last three fiscal years.

The Town became a full participating member in the National Flood Insurance Program on October 2, 2008. Residential property owners, renters, and commercial property owners may purchase flood insurance protection against losses from flooding. Due to the mountainous topography of the Town, less than 1% of the overall incorporated area of the Town or about 10 acres is in a mapped flood plain. The

Town Council has elected to not purchase flood insurance because no structures owned by the Town lie within a mapped flood plain area.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more of the Town’s funds at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The tax collector is bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Long-Term Obligations

Capital Leases

The Town has entered into a master fleet lease agreement. Under this lease agreement, the Town leased four vehicles during the year ended June 30, 2021. These leases qualify as capital leases for accounting purposes, as the lease term equals or exceeds seventy-five percent of the estimated economic life of the assets. Therefore, the vehicles have been recorded at the present value of the future minimum lease payments as of the date of their inception. The terms of each lease are as follows:

| Description of Asset | Department | Date | Term | Monthly Payment |
|----------------------------------|--------------|-----------|---------|-----------------|
| 2021 Chevrolet Silverado 2500HD | Public Works | 1/14/2021 | 60 mos. | \$ 654 |
| 2020 Chevrolet Silverado 5500 HD | Public Works | 2/24/2021 | 60 mos. | \$ 1,179 |
| 2020 Dodge Durango | Police | 1/22/2021 | 60 mos. | \$ 682 |
| 2020 Dodge Durango | Police | 1/22/2021 | 60 mos. | \$ 752 |

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

| Classes of Property | Cost | Accumulated Depreciation | Net Book Value |
|---------------------|------------|--------------------------|----------------|
| Vehicles | \$ 215,888 | \$ 17,324 | \$ 198,564 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

| Year Ending June 30 | |
|---|------------|
| 2022 | \$ 39,199 |
| 2023 | 39,199 |
| 2024 | 39,199 |
| 2025 | 39,199 |
| 2026 | 22,955 |
| Total minimum lease payments | 179,751 |
| Less: amount representing interest | 12,964 |
| Present value of the minimum lease payments | \$ 166,787 |

Changes in long term liabilities are as follows:

| | <u>Beginning of year</u> | <u>Additions</u> | <u>Retirements</u> | <u>End of year</u> | <u>Current Portion</u> |
|----------------------------------|--------------------------|-------------------|--------------------|--------------------|------------------------|
| Governmental Activities: | | | | | |
| Capital lease obligations | \$ - | \$ 176,848 | \$ 10,061 | \$ 166,787 | \$ 34,286 |
| Accrued vacation | 56,028 | 34,652 | 35,518 | 55,162 | - |
| Net pension liability (LGERS) | 384,182 | 111,894 | - | 496,076 | - |
| Total pension liability (LEO) | 81,697 | 84,892 | - | 166,589 | - |
| | <u>\$ 521,907</u> | <u>\$ 408,286</u> | <u>\$ 45,579</u> | <u>\$ 884,614</u> | <u>\$ 34,286</u> |
| Business-Type Activities: | | | | | |
| Net pension liability (LGERS) | \$ 25,183 | 9,037 | \$ - | 34,220 | \$ - |
| Accrued vacation | 5,369 | - | 5,369 | - | - |
| | <u>\$ 30,552</u> | <u>\$ 9,037</u> | <u>\$ 5,369</u> | <u>\$ 34,220</u> | <u>\$ -</u> |

Accrued vacation generally has been liquidated in the general fund.

At June 30, 2021, the legal debt margin for the Town is \$35,443,340.

Interfund Balances and Activity

Due to the general fund from the water fund \$1,550

Interfund loan – On October 20, 2015, the water fund borrowed \$93,200 from the sewer fund to fund an equipment purchase. On June 21, 2016, the Town Council restructured the loan to forgive \$53,200 of the loan in fiscal year 2017. This amount is presented in the Statement of Revenues, Expenses and Changes in Fund Net Position as loan forgiveness in the transfers section. The revised terms of the arrangement require the water fund to repay the sewer fund \$4,000 per year over ten years with no interest. The balance of this interfund loan is presented in the Statement of Fund Net Position for the Proprietary Funds as current due to the fact that both the water and sewer funds are expected to be closed in fiscal year 2022. In the government-wide Statement of Net Position, these amounts eliminate for presentation in the business-type activities.

Transfers to/from other funds at June 30, 2021, consisted of the following:

| | |
|--|------------------|
| From General Fund to Highway 64 Sidewalk and Greenspace Capital Reserve Fund for future capital needs | <u>\$ 30,000</u> |
| From General Fund to Laurel Green Stream Restoration Project Capital Reserve Fund for future capital needs | <u>\$ 30,000</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

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 | \$ 2,929,765 |
| Less: | |
| Stabilization by State Statute | 275,348 |
| Capital reserves | 60,000 |
| Subsequent year's expenditures | 122,100 |
| Remaining fund balance | <u>\$ 2,472,317</u> |

Jointly Governed Organization

The Town, in conjunction with other area counties and municipalities, is a member of the Land of Sky Regional Council (the Council). The governments participate within the Council to coordinate various funding received from federal and State agencies. Each participating government, including the Town, pays annual dues and appoints two members to the Council's governing board.

State Assisted Programs

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

Subsequent Events

On July 13, 2021, the Town received the first distribution of grant funding in the amount of \$371,283 through the Coronavirus State and Local Fiscal Recovery Fund of H.R 1319 American Rescue Plan of 2021. The Town expects to receive, at a minimum, a total of \$742,566 from this funding.

Subsequent events have been reviewed through November 22, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Laurel Park's proportion of the net pension liability (asset) (%) | 0.01484% | 0.01499% | 0.01588% | 0.01517% | 0.01241% | 0.01632% | 0.01444% | 0.01390% |
| Laurel Park's proportion of the net pension liability (asset) (\$) | \$ 530,296 | \$ 409,365 | \$ 376,728 | \$ 231,756 | \$ 263,382 | \$ 13,581 | \$ (85,160) | \$ 167,548 |
| Laurel Park's covered-employee payroll | \$ 880,540 | \$ 817,549 | \$ 838,486 | \$ 820,711 | \$ 798,113 | \$ 795,466 | \$ 764,288 | \$ 672,176 |
| Laurel Park's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 60.22% | 50.07% | 44.93% | 28.24% | 33.00% | 1.71% | (11.14%) | 24.93% |
| Plan fiduciary net position as a percentage of the total pension liability** | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

**Town of Laurel Park, North Carolina
Town of Laurel Park's Contributions
Required Supplementary Information
Last Eight Fiscal Years**

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 92,885 | \$ 81,688 | \$ 66,363 | \$ 66,109 | \$ 62,726 | \$ 55,540 | \$ 58,296 | \$ 55,640 |
| Contributions in relation to the contractually required contribution | 92,885 | 81,688 | 66,363 | 66,109 | 62,726 | 55,540 | 58,296 | 55,640 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Laurel Park's covered-employee payroll | \$ 888,567 | \$ 880,540 | \$ 817,549 | \$ 838,486 | \$ 820,711 | \$ 798,113 | \$ 795,466 | \$ 764,288 |
| Contributions as a percentage of covered-employee payroll | 10.45% | 9.28% | 8.12% | 7.88% | 7.64% | 6.96% | 7.33% | 7.28% |

Town of Laurel Park, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|------------------|------------------|------------------|------------------|
| Beginning balance | \$ 81,697 | \$ 69,122 | \$ 57,259 | \$ 45,584 | \$ 40,457 |
| Service Cost | 6,940 | 6,268 | 6,654 | 5,573 | 4,857 |
| Interest on the total pension liability | 2,663 | 2,516 | 1,809 | 1,760 | 1,444 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 2,741 | 928 | 6,750 | (305) | - |
| Changes of assumptions or other inputs | 72,548 | 2,863 | (3,350) | 4,647 | (1,174) |
| Benefit payments | - | - | - | - | - |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 166,589</u> | <u>\$ 81,697</u> | <u>\$ 69,122</u> | <u>\$ 57,259</u> | <u>\$ 45,584</u> |

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

Town of Laurel Park, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total pension liability | \$ 166,589 | \$ 81,697 | \$ 69,122 | \$ 57,259 | \$ 45,584 |
| Covered payroll | 343,763 | 330,825 | 326,753 | 307,591 | 257,741 |
| Total pension liability as a percentage of covered payroll | 48.5% | 24.7% | 21.2% | 18.6% | 17.7% |

Notes to the schedules:

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

INDIVIDUAL FUND FINANCIAL STATEMENTS

Town of Laurel Park, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|------------------|------------------|---|
| Revenues: | | | |
| Ad valorem taxes | | | |
| Current year | \$ | \$ 1,919,035 | \$ |
| Prior year | | 6,713 | |
| Penalties and interest | | 2,379 | |
| Total ad valorem taxes | <u>1,843,000</u> | <u>1,928,127</u> | <u>85,127</u> |
| Unrestricted intergovernmental revenues | | | |
| Local option sales tax | | 802,502 | |
| Utility sales tax distribution | | 142,890 | |
| Cable TV franchise tax | | 23,023 | |
| Solid waste disposal tax | | 1,680 | |
| Beer and wine tax | | 9,426 | |
| Payments in lieu of taxes-outside sources | | 8,000 | |
| ABC profit distribution | | 88,065 | |
| Total unrestricted intergovernmental revenues | <u>823,700</u> | <u>1,075,586</u> | <u>251,886</u> |
| Restricted intergovernmental revenues | | | |
| Powell Bill "State Street-Aid" allocation | | 89,117 | 89,117 |
| Grants | | - | - |
| ABC funds for law enforcement | | 12,325 | 12,325 |
| Total restricted intergovernmental revenues | <u>84,500</u> | <u>101,442</u> | <u>101,442</u> |
| Permits and fees | | | |
| Building permits | | 3,080 | 3,080 |
| Court fees | | 158 | 158 |
| Police receipts | | - | - |
| Total licenses and permits | <u>1,500</u> | <u>3,238</u> | <u>3,238</u> |
| Investment earnings | <u>16,000</u> | <u>1,670</u> | <u>(14,330)</u> |
| Miscellaneous | <u>13,000</u> | <u>34,255</u> | <u>21,255</u> |
| Total revenues | <u>2,781,700</u> | <u>3,144,318</u> | <u>448,618</u> |

Town of Laurel Park, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------|----------------|----------------|---|
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Stipend | \$ | \$ 12,600 | \$ |
| Board member expense | | 3,419 | |
| Payroll taxes | | 964 | |
| Professional services | | 15,500 | |
| Total | <u>38,750</u> | <u>32,483</u> | <u>6,267</u> |
| Administration: | | | |
| Salaries and wages | | 251,101 | |
| Payroll taxes | | 18,317 | |
| Employee benefits | | 69,628 | |
| Unemployment insurance | | 523 | |
| Professional services | | 9,493 | |
| Supplies | | 6,094 | |
| Miscellaneous | | 4,237 | |
| Travel & training | | 2,209 | |
| Utilities | | 10,032 | |
| Postage | | 2,081 | |
| Repairs and maintenance | | 30,517 | |
| Advertising | | 3,998 | |
| Elections | | - | |
| Contracted services | | 44,160 | |
| Insurance | | 24,113 | |
| Dues and subscriptions | | 13,106 | |
| Bank service charge | | 3,332 | |
| Credit card fees | | 1,827 | |
| Tax collector's fee | | 13,674 | |
| Capital outlay | | 4,100 | |
| Total | <u>547,120</u> | <u>512,542</u> | <u>34,578</u> |
| Total general government | <u>585,870</u> | <u>545,025</u> | <u>40,845</u> |

Town of Laurel Park, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-------------------------|------------------|------------------|---|
| Public safety: | | | |
| Police: | | | |
| Salaries and wages | \$ | \$ 308,996 | \$ |
| Payroll taxes | | 23,255 | |
| Employee benefits | | 89,804 | |
| Insurance | | 8,591 | |
| Professional services | | 1,267 | |
| Supplies | | 40,485 | |
| Uniforms | | 4,000 | |
| Travel & training | | 363 | |
| Utilities | | 6,528 | |
| Contracted services | | 5,442 | |
| Repairs and maintenance | | 17,789 | |
| Dues and subscriptions | | 1,091 | |
| Capital outlay | | 93,306 | |
| Miscellaneous | | 4,261 | |
| | <u>666,600</u> | <u>605,178</u> | <u>61,422</u> |
| Fire: | | | |
| Contracted services | <u>424,000</u> | <u>424,000</u> | <u>-</u> |
| Total public safety | <u>1,090,600</u> | <u>1,029,178</u> | <u>61,422</u> |
| Transportation: | | | |
| Streets and highways: | | | |
| Salaries and wages | | 245,128 | |
| Payroll taxes | | 18,391 | |
| Employee benefits | | 92,116 | |
| Unemployment insurance | | - | |
| Insurance | | 10,041 | |
| Professional fees | | 35 | |
| Utilities | | 16,938 | |
| Fees and permits | | 300 | |
| Repairs and maintenance | | 23,243 | |
| Software support | | 5,181 | |
| Uniforms | | 1,052 | |
| Supplies | | 33,442 | |
| Travel & training | | 81 | |
| Powell Bill | | 165,829 | |
| Park improvements | | 222 | |
| Contracted services | | 15,352 | |
| Miscellaneous | | 171 | |
| Capital outlay | | 149,947 | |
| Total transportation | <u>852,200</u> | <u>777,469</u> | <u>74,731</u> |

Town of Laurel Park, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|------------------|---------------------|---|
| Environmental protection: | | | |
| Solid waste: | | | |
| Contracted services | \$ 184,080 | \$ 176,955 | \$ 7,125 |
| | | | |
| Parks: | | | |
| Professional services | | 17,488 | |
| Miscellaneous | | (900) | |
| Equipment & supplies | | 2,230 | |
| Travel & training | | - | |
| Utilities | | 511 | |
| Park maintenance | | 3,934 | |
| Contract services | | 3,430 | |
| Jump Off Rock | | 4,962 | |
| Laurel Green | | 3,713 | |
| Rhododendron Lake Park | | 1,031 | |
| Capital outlay | | 1,622 | |
| Total parks | <u>90,000</u> | <u>38,021</u> | <u>51,979</u> |
| | | | |
| Debt service: | | | |
| Principal retirement | | 15,234 | |
| Interest and other charges | | 1,840 | |
| Total debt service | <u>36,000</u> | <u>17,074</u> | <u>18,926</u> |
| | | | |
| Total expenditures | <u>2,838,750</u> | <u>2,583,722</u> | <u>255,028</u> |
| | | | |
| Revenues over (under) expenditures | <u>(57,050)</u> | <u>560,596</u> | <u>617,646</u> |
| | | | |
| Other financing sources (uses): | | | |
| Capital lease obligations issued | - | 176,870 | 176,870 |
| Sale of capital assets | 8,000 | - | (8,000) |
| Fund balance appropriated | 80,050 | - | (80,050) |
| Transfer to capital reserve funds | (30,000) | (60,000) | (30,000) |
| Transfer to sewer fund | (1,000) | - | 1,000 |
| Total other financing sources (uses): | <u>57,050</u> | <u>116,870</u> | <u>59,820</u> |
| | | | |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>677,466</u> | <u>\$ 677,466</u> |
| | | | |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>2,162,299</u> | |
| | | | |
| End of year, June 30 | | <u>\$ 2,839,765</u> | |

Town of Laurel Park, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Highway 64 Sidewalk and Greenspace Capital Reserve Fund
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|---------------|---------------|---|
| Revenues | \$ - | \$ - | \$ - |
| Expenditures | - | - | - |
| Revenues over (under) expenditures | - | - | - |
| Other financing sources (uses): | | | |
| Transfers from general fund | - | 30,000 | 30,000 |
| | - | 30,000 | 30,000 |
| Net change in fund balance | \$ - | 30,000 | \$ 30,000 |
| Fund balance: | | | |
| Beginning year, July 1 | | 30,000 | |
| End of year, June 30 | | \$ 60,000 | |

Town of Laurel Park, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Laurel Green Stream Restoration Project Capital Reserve Fund
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|---------------|---------------|---|
| Revenues | \$ - | \$ - | \$ - |
| Expenditures | - | - | - |
| Revenues over (under) expenditures | - | - | - |
| Other financing sources (uses): | | | |
| Fund balance appropriated | (30,000) | - | 30,000 |
| Transfers from general fund | 30,000 | 30,000 | - |
| | - | 30,000 | 30,000 |
| Net change in fund balance | \$ - | 30,000 | \$ 30,000 |
| Fund balance: | | | |
| Beginning year, July 1 | | - | |
| End of year, June 30 | | \$ 30,000 | |

Town of Laurel Park, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Cares Act Special Revenue Fund
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|---------------|---------------|---|
| Revenues | | | |
| Grants | \$ 98,226 | \$ 98,226 | \$ - |
| Expenditures | | | |
| General government | | | |
| Supplies | | 1,331 | |
| Repairs and maintenance | | 1,477 | |
| Public Safety | | | |
| Salaries and wages | | 66,741 | |
| Payroll taxes | | 5,007 | |
| Employee benefits | | 23,670 | |
| Total expenditures | 98,226 | 98,226 | - |
| Revenues over (under) expenditures | - | - | - |
| Other financing sources (uses): | - | - | - |
| Net change in fund balance | \$ - | - | \$ - |
| Fund balance: | | | |
| Beginning year, July 1 | | - | |
| End of year, June 30 | | \$ - | |

Town of Laurel Park, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|----------------|----------------|---|
| Operating Revenues | | | |
| Water sales | \$ | \$ 286,061 | \$ |
| Meter installation | | 20,000 | |
| Total operating revenues | <u>366,000</u> | <u>306,061</u> | <u>(59,939)</u> |
| Nonoperating revenues | | | |
| Investment earnings | | 15 | |
| Proceeds from sale of fixed assets | | - | |
| Miscellaneous income | | 14,171 | |
| Total nonoperating revenues | <u>500</u> | <u>14,186</u> | <u>13,686</u> |
| Total revenues | <u>366,500</u> | <u>320,247</u> | <u>(46,253)</u> |
| Expenditures | | | |
| Administration: | | | |
| Salaries and wages | | 10,694 | |
| Payroll taxes | | 1,000 | |
| Employee benefits | | 4,333 | |
| Insurance | | 2,933 | |
| Supplies | | - | |
| Travel and training | | - | |
| Postage | | 2,355 | |
| Repairs and maintenance | | 9,861 | |
| Advertising and printing | | 931 | |
| Contracted services | | 998 | |
| Miscellaneous | | - | |
| Total administration | <u>46,450</u> | <u>33,105</u> | <u>13,345</u> |
| Operations: | | | |
| Water purchases | | 114,337 | |
| Salaries and wages | | 52,737 | |
| Payroll taxes | | 4,071 | |
| Employee benefits | | 17,547 | |
| Professional services | | 9,600 | |
| Insurance | | 2,510 | |
| Supplies | | 6,336 | |
| Miscellaneous | | 25 | |
| Repairs and maintenance | | 28,154 | |
| Travel and training | | 1,376 | |

Town of Laurel Park, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------------|----------------|---|
| Operations (continued): | | | |
| Utilities | | \$ 23,539 | |
| Water testing | | 2,098 | |
| Fees and permits | | 1,545 | |
| Contracted services | | 2,500 | |
| Bad debts | | 6,943 | |
| Capital outlay | | - | |
| Total operations | 378,000 | 273,318 | 104,682 |
| Total expenditures | 424,450 | 306,423 | 118,027 |
| Revenue over (under) expenditures | (57,950) | 13,824 | 71,774 |
| Other financing sources (uses): | | | |
| Loan repayment to sewer fund | - | - | - |
| Fund balance appropriated | 57,950 | - | (57,950) |
| | 57,950 | - | (57,950) |
| Revenues and other financing sources over expenditures | \$ - | 13,824 | \$ 13,824 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Depreciation | | (49,977) | |
| Sale of water system to City of Hendersonville | | (1,518,241) | |
| Loan repayment to sewer fund | | - | |
| Increase in deferred outflows of resources - pensions | | 3,176 | |
| Increase in net pension liability | | (9,037) | |
| Decrease in deferred inflows of resources - pensions | | (50) | |
| Change in net position | | \$ (1,560,305) | |

Town of Laurel Park, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Operating Revenues | | | |
| Sewer charges | \$ 88,000 | \$ 64,182 | \$ (23,818) |
| Nonoperating revenues | | | |
| Investment earnings | - | 104 | |
| Total nonoperating revenues | 1,800 | 104 | (1,696) |
| Total revenues | 89,800 | 64,286 | (25,514) |
| Expenditures | | | |
| Operations: | | | |
| Sewer purchases | | 59,169 | |
| Bad debts | | 845 | |
| Miscellaneous | | - | |
| Professional services | | - | |
| Total expenditures | 89,800 | 60,014 | 29,786 |
| Revenue over (under) expenditures | - | 4,272 | 4,272 |
| Other Financing Sources (Uses): | | | |
| Fund balance appropriated | - | - | - |
| Transfer from general fund | - | - | - |
| Loan repayment from water fund | - | - | - |
| | - | - | - |
| Revenues and other financing sources over expenditures | \$ - | 4,272 | \$ 4,272 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Interfund loan to water fund | | - | |
| Change in net position | | \$ 4,272 | |

Town of Laurel Park, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Operating Revenues | | | |
| Sewer charges | \$ 59,400 | \$ 69,097 | \$ 9,697 |
| Nonoperating revenues | | | |
| Investment earnings | - | - | - |
| Total nonoperating revenues | - | - | - |
| Total revenues | 59,400 | 69,097 | 9,697 |
| Expenditures | | | |
| Operations: | | | |
| Collection fees | | 3,386 | |
| Miscellaneous | | 2,965 | |
| Capital outlay | | 42,284 | |
| Total expenditures | 59,400 | 48,635 | 10,765 |
| Revenue over (under) expenditures | - | 20,462 | 20,462 |
| Other Financing Sources (Uses): | | | |
| Fund balance appropriated | - | - | - |
| | - | - | - |
| Revenues and other financing sources over expenditures | \$ - | 20,462 | \$ 20,462 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Capital outlay | | 42,284 | |
| Depreciation | | (822) | |
| Change in net position | | \$ 61,924 | |

OTHER SCHEDULES

Town of Laurel Park, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

| <u>Fiscal year</u> | <u>Uncollected Balance June 30, 2020</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2021</u> |
|---|--|---------------------|------------------------------------|--|
| 2020-2021 | \$ - | \$ 1,921,942 | \$ 1,919,035 | \$ 2,907 |
| 2019-2020 | 5,970 | - | 5,312 | 658 |
| 2018-2019 | 2,433 | - | 683 | 1,750 |
| 2017-2018 | 2,360 | - | 683 | 1,677 |
| 2016-2017 | 2,407 | - | - | 2,407 |
| 2015-2016 | 2,311 | - | - | 2,311 |
| 2014-2015 | 880 | - | - | 880 |
| 2013-2014 | 1,222 | - | - | 1,222 |
| 2012-2013 | 1,172 | - | 35 | 1,137 |
| 2011-2012 | 1,777 | - | - | 1,777 |
| 2010-2011 | 549 | - | 549 | - |
| 2009-2010 | - | - | - | - |
| 2008-2009 | - | - | - | - |
| | <u>\$ 21,081</u> | <u>\$ 1,921,942</u> | <u>\$ 1,926,297</u> | <u>\$ 16,726</u> |
| Less: allowance for uncollectible accounts - general fund | | | | <u>11,410</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 5,316</u> |
| <u>Reconciliation with revenues</u> | | | | |
| Ad valorem taxes - general fund | | | | \$ 1,928,127 |
| Write-offs | | | | 549 |
| Penalties and interest | | | | <u>(2,379)</u> |
| Total collections and credits | | | | <u>\$ 1,926,297</u> |

Town of Laurel Park, North Carolina
Analysis of Current Tax Levy
June 30, 2021

| | Town-Wide Levy | | | Total Levy | |
|------------------------------------|-----------------------|----------|---------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy | 442,929,873 | \$ 0.435 | \$ 1,922,316 | \$ 1,799,687 | \$ 122,629 |
| Discoveries | - | 0.435 | - | - | - |
| Releases | (86,044) | 0.435 | (374) | (30) | (344) |
| Adjusted levy | <u>442,843,830</u> | | | | |
| Net levy | | | 1,921,942 | 1,799,657 | 122,285 |
| Uncollected taxes at June 30, 2021 | | | <u>(2,907)</u> | <u>(2,907)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 1,919,035</u> | <u>\$ 1,796,750</u> | <u>\$ 122,285</u> |
| Current levy collection percentage | | | <u>99.85%</u> | <u>99.84%</u> | <u>100.00%</u> |

OTHER REPORT

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and Members of the Governing Council
Town of Laurel Park
Laurel Park, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Laurel Park, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Laurel Park's basic financial statements, and have issued our report thereon dated November 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Laurel Park's internal control over financial reporting (internal control) as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Laurel Park's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Laurel Park's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Laurel Park's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Laurel Park's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Laurel Park's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burleson & Earley, P.A.
Certified Public Accountants
Asheville, North Carolina
November 22, 2021