

REVIEWED

By SLGFD at 6:53 am, Dec 01, 2021



**TOWN OF BILTMORE FOREST,
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2021

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Board of Commissioners

George F. Goosmann III, Mayor
Doris P. Loomis, Mayor Pro Tem
Fran G. Cogburn
E. Glenn Kelly

Administrative and Financial Staff

Jonathan Kanipe, Town Manager
Krystal Curtis, Finance Director
Laura Jacobs, Town Clerk

Chief of Police

Chris Beddingfield

Public Works Director

Harry Buckner

TOWN OF BILTMORE FOREST, NORTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability and Contributions, on pages 52 and 53, respectively, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 54 and 55, respectively, and the Other Postemployment Benefits' Schedules of the Proportionate Share of Net OPEB Liability and Contributions, on pages 56 and 57, respectively, 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 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 Town of Biltmore Forest, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Biltmore Forest, North Carolina
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Supplementary and Other Information (continued)

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

CARTER, P.C.

Asheville, North Carolina
November 22, 2021

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Management's Discussion and Analysis

As management of the Town of Biltmore Forest (the "Town"), we offer readers of the Town of Biltmore Forest's financial statements this narrative overview and analysis of the financial activities of the Town of Biltmore Forest 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

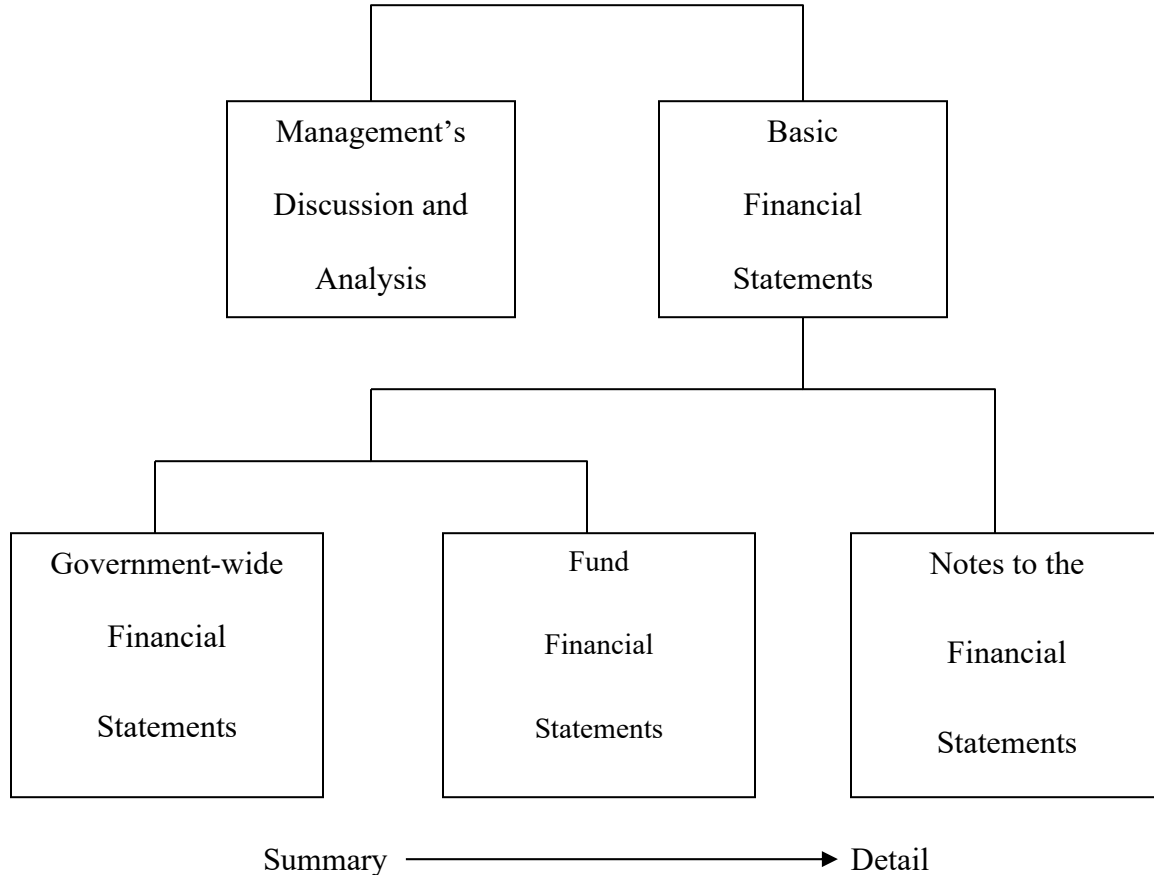
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,165,337 (*net position*).
- The government's total net position increased by \$422,877, primarily due to high property tax collection rates and continued diligence in cost saving measures in all areas of the government.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,872,002, with a net increase of \$336,130 in fund balance. Approximately 12% of combined ending fund balances, or \$471,063, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,400,939, or 83% of total general fund expenditures.
- The Town's total debt decreased by \$335,609 (7%) during the current fiscal year. The key factors in this decrease were scheduled principal payments of \$176,910 and a \$500,116 decrease in the net OPEB obligation. Decreases were partially offset by increases in pension related debt.

Overview of the Financial Statements

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Required Components of Annual Financial Report Figure 1



Basic Financial Statements

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

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

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

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 two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, streets and public works, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town of Biltmore Forest.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Biltmore Forest, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town 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.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 52 of this report.

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Government-Wide Financial Analysis

Town of Biltmore Forest's Net Position Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,972,368	\$ 3,631,389	\$ 681,614	\$ 463,664	\$ 4,653,982	\$ 4,095,053
Capital assets	<u>3,996,139</u>	<u>4,108,167</u>	<u>2,081,393</u>	<u>2,248,362</u>	<u>6,077,532</u>	<u>6,356,529</u>
Total assets	<u>7,968,507</u>	<u>7,739,556</u>	<u>2,763,007</u>	<u>2,712,026</u>	<u>10,731,514</u>	<u>10,451,582</u>
Total deferred outflows of resources	<u>1,091,300</u>	<u>1,063,673</u>	<u>34,854</u>	<u>13,132</u>	<u>1,126,154</u>	<u>1,076,805</u>
Long-term liabilities outstanding	3,978,532	4,347,930	113,627	45,465	4,092,159	4,393,395
Other liabilities	<u>216,857</u>	<u>271,226</u>	<u>86,724</u>	<u>16,433</u>	<u>303,581</u>	<u>287,659</u>
Total liabilities	<u>4,195,389</u>	<u>4,619,156</u>	<u>200,351</u>	<u>61,898</u>	<u>4,395,740</u>	<u>4,681,054</u>
Total deferred inflows of resources	<u>1,245,424</u>	<u>1,088,652</u>	<u>51,167</u>	<u>16,221</u>	<u>1,296,591</u>	<u>1,104,873</u>
Net position:						
Net investment in capital assets	3,217,124	3,152,242	2,081,393	2,248,362	5,298,517	5,400,604
Restricted	468,834	357,410			468,834	357,410
Unrestricted	<u>(66,964)</u>	<u>(414,231)</u>	<u>464,950</u>	<u>398,677</u>	<u>397,986</u>	<u>(15,554)</u>
Total net position	<u>\$ 3,618,994</u>	<u>\$ 3,095,421</u>	<u>\$ 2,546,343</u>	<u>\$ 2,647,039</u>	<u>\$ 6,165,337</u>	<u>\$ 5,742,460</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Biltmore Forest exceeded liabilities and deferred inflows by \$6,165,337 as of June 30, 2021. The Town's net position increased by \$422,877 for the fiscal year ended June 30, 2021. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Biltmore Forest uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Biltmore Forest's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$471,063, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.03%. The statewide average in fiscal year 2021 was 98.96%.
- Continued efforts in cost savings by Town management.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Town of Biltmore Forest's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 33,024	\$ 21,626	\$ 762,793	\$ 783,275	\$ 795,817	\$ 804,901
Operating grants and contributions	110,132	62,549			110,132	62,549
General revenues:						
Property taxes	2,790,373	2,734,085			2,790,373	2,734,085
Sales taxes	1,224,493	1,069,918			1,224,493	1,069,918
Franchise and utilities taxes	213,010	212,016			213,010	212,016
Alcohol beverage tax	5,655	5,885			5,655	5,885
Gasoline tax	3,608	4,050			3,608	4,050
Investment earnings	936	48,250	15	1,262	951	49,512
Miscellaneous	58,475	43,178			58,475	43,178
Total revenues	<u>4,439,706</u>	<u>4,201,557</u>	<u>762,808</u>	<u>784,537</u>	<u>5,202,514</u>	<u>4,986,094</u>
Expenses:						
General government	809,583	819,951			809,583	819,951
Public safety	2,021,375	2,143,041			2,021,375	2,143,041
Transportation	372,902	223,728			372,902	223,728
Physical development	681,628	877,437			681,628	877,437
Interest on long-term debt	30,645	46,898			30,645	46,898
Water			<u>863,504</u>	<u>806,893</u>	<u>863,504</u>	<u>806,893</u>
Total expenses	<u>3,916,133</u>	<u>4,111,055</u>	<u>863,504</u>	<u>806,893</u>	<u>4,779,637</u>	<u>4,917,948</u>
Increase (decrease) in net position	523,573	90,502	(100,696)	(22,356)	422,877	68,146
Net position, beginning	<u>3,095,421</u>	<u>3,004,919</u>	<u>2,647,039</u>	<u>2,669,395</u>	<u>5,742,460</u>	<u>5,674,314</u>
Net position, ending	<u>\$ 3,618,994</u>	<u>\$ 3,095,421</u>	<u>\$ 2,546,343</u>	<u>\$ 2,647,039</u>	<u>\$ 6,165,337</u>	<u>\$ 5,742,460</u>

Governmental activities. Governmental activities increased the Town's net position by \$523,573. The increase net position was the result of increased revenue generation as well a concerted effort to control costs and manage expenditures. Town management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across Town departments. Town management believes that healthy investment in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by governmental activities. Town management acknowledges that 2021 was a successful year and plans on improving its approaches to realize continued fiscal health.

Business-type activities. Business-type activities decreased the Town of Biltmore Forest's net position by \$100,696. The key elements of this decrease were depreciation on the water system and increased costs of providing pensions to employees. The Town does not have control over the costs of providing pensions, these costs are actuarially determined each year.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Biltmore Forest's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Biltmore Forest's financing requirements.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$3,400,939 while total fund balance reached \$3,872,002. The Governing Body of the Town of Biltmore Forest has determined that the Town should maintain an available fund balance of 25-35% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 78% of budgeted general fund expenditures, and total fund balance represents 94% of the same amount.

At June 30, 2021, governmental funds reported a combined fund balance of \$3,872,002, with a net increase in fund balance of \$336,130. Included in this change in fund balance is a decrease in fund balance in the Capital Project Fund.

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

There were several reasons the Town revised its budget throughout the year. Expenditures were held in check with budgeted amounts for the year ended June 30, 2021.

Proprietary Fund. The Town of Biltmore Forest's proprietary fund provides 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 amounted to \$464,950. The total change in net position for the Water Fund was (\$100,696). The change in net position in the Water Fund is primarily a result of depreciation on the water system and increased expenses related to pensions and OPEB.

Capital Asset and Debt Administration

Capital assets. The Town of Biltmore Forest's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$6,077,532 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Major capital asset transactions during the year include the following:

- Completion of two stormwater repair projects for \$382,453
- Purchase of two new police vehicles
- Sale of three police vehicles

Town of Biltmore Forest's Capital Assets
(net of depreciation)
Figure 4

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 176,441	\$ 161,650	\$	\$	\$ 176,441	\$ 161,650
Construction in progress		253,617				253,617
Buildings and systems	2,132,077	2,194,999	2,079,046	2,245,676	4,211,123	4,440,675
Improvements other than buildings	65,521	70,496			65,521	70,496
Equipment and furniture	27,382	21,470			27,382	21,470
Vehicles and motorized equipment	677,375	804,992	2,347	2,686	679,722	807,678
Infrastructure	917,343	600,943			917,343	600,943
Total	<u>\$ 3,996,139</u>	<u>\$ 4,108,167</u>	<u>\$ 2,081,393</u>	<u>\$ 2,248,362</u>	<u>\$ 6,077,532</u>	<u>\$ 6,356,529</u>

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Biltmore Forest had total debt outstanding of \$4,234,695. The installment debt is backed by security interest in the property for which it was issued. The Town's other debt consisted of compensated absences and pension and OPEB related debt and is backed by the full faith and credit of the Town.

Town of Biltmore Forest's Outstanding Debt
Figure 5

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Installment debt	\$ 779,015	\$ 955,925	\$	\$	\$ 779,015	\$ 955,925
OPEB	1,904,897	2,405,013	82,254	36,378	1,987,151	2,441,391
Pension related debt (LGERS)	690,240	530,783	29,805	8,028	720,045	538,811
Pension related debt (LEO)	684,752	560,077			684,752	560,077
Compensated absences	62,164	73,041	1,568	1,059	63,732	74,100
Total	<u>\$ 4,121,068</u>	<u>\$ 4,524,839</u>	<u>\$ 113,627</u>	<u>\$ 45,465</u>	<u>\$ 4,234,695</u>	<u>\$ 4,570,304</u>

The Town's total debt decreased by \$335,609 (7%) during the current fiscal year. The key factors in this decrease were scheduled principal payments of \$176,910 and a \$500,116 decrease in the net OPEB obligation. Decreases were partially offset by increases in pension related debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Biltmore Forest is \$64,398,146.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Additional information regarding the Town of Biltmore Forest's long-term debt can be found in Note 3.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Consistent property values in the current fiscal year as well as several building permits issued relating to new construction, improvements, additions, and other enhancements to properties should result in higher property valuations in subsequent years.
- Continued effort by the Town to limit excess costs.
- COVID-19 is expected to impact future revenues and those expected impacts have been reflected, to the best of the Town's abilities, in the budget for the fiscal year ending June 30, 2022.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes and sales taxes are budgeted to account for 63% and 27% of General Fund revenues, respectively. These percentages are consistent with the prior year. The Town will use expected increases in these revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to increase approximately 7% to \$4,676,481. The largest increment is in public safety.

The Town has chosen not to appropriate fund balance in the fiscal year 2022 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: Expenditures in the Water Fund are expected to remain consistent with the prior year with only a 0.13% decrease. There were no budgeted increases in water and sewer rates for the next fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Biltmore Forest, 355 Vanderbilt Road, Biltmore Forest, North Carolina 28803. One can also call (828) 274-0824, visit our website www.biltmoreforest.org, or send an email to townhall@biltmoreforest.org for more information.

BASIC FINANCIAL STATEMENTS

Exhibit 1**TOWN OF BILTMORE FOREST, NORTH CAROLINA**Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,532,503	\$ 587,911	\$ 4,120,414
Taxes receivable (net)	19,449		19,449
Accounts receivable (net)		82,603	82,603
Due from other governments	418,187		418,187
Inventories	2,229	11,100	13,329
Total current assets	<u>3,972,368</u>	<u>681,614</u>	<u>4,653,982</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	176,441		176,441
Other capital assets, net of depreciation	<u>3,819,698</u>	<u>2,081,393</u>	<u>5,901,091</u>
Total capital assets	<u>3,996,139</u>	<u>2,081,393</u>	<u>6,077,532</u>
Total assets	<u>\$ 7,968,507</u>	<u>\$ 2,763,007</u>	<u>\$ 10,731,514</u>
Deferred outflows of resources	<u>\$ 1,091,300</u>	<u>\$ 34,854</u>	<u>\$ 1,126,154</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 74,321	\$ 86,724	\$ 161,045
Current portion of long-term liabilities	<u>142,536</u>		<u>142,536</u>
Total current liabilities	216,857	86,724	303,581
Long-term liabilities:			
Due in more than one year	<u>3,978,532</u>	<u>113,627</u>	<u>4,092,159</u>
Total liabilities	<u>\$ 4,195,389</u>	<u>\$ 200,351</u>	<u>\$ 4,395,740</u>
Deferred inflows of resources	<u>\$ 1,245,424</u>	<u>\$ 51,167</u>	<u>\$ 1,296,591</u>
Net position			
Net investment in capital assets	\$ 3,217,124	\$ 2,081,393	\$ 5,298,517
Restricted:			
Stabilization by State Statute	468,834		468,834
Unrestricted (deficit)	<u>(66,964)</u>	<u>464,950</u>	<u>397,986</u>
Total net position	<u>\$ 3,618,994</u>	<u>\$ 2,546,343</u>	<u>\$ 6,165,337</u>

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

Exhibit 2

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 809,583	\$ 33,024	\$ 52,717	\$	\$ (723,842)	\$	\$ (723,842)
Public safety	2,021,375				(2,021,375)		(2,021,375)
Transportation	372,902		56,403		(316,499)		(316,499)
Physical development	681,628		1,012		(680,616)		(680,616)
Interest on long-term debt	<u>30,645</u>				<u>(30,645)</u>		<u>(30,645)</u>
Total governmental activities (See Note 1)	3,916,133	33,024	110,132		(3,772,977)		(3,772,977)
Business-type activities:							
Water	<u>863,504</u>	<u>762,793</u>				<u>(100,711)</u>	<u>(100,711)</u>
Total primary government	<u>\$ 4,779,637</u>	<u>\$ 795,817</u>	<u>\$ 110,132</u>	<u>\$</u>	<u>(3,772,977)</u>	<u>(100,711)</u>	<u>(3,873,688)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,790,373		2,790,373
Sales taxes					1,224,493		1,224,493
Franchise and utilities taxes					213,010		213,010
Alcohol beverage tax					5,655		5,655
Gasoline tax					3,608		3,608
Unrestricted investment earnings					936	15	951
Miscellaneous					<u>58,475</u>		<u>58,475</u>
Total general revenues					<u>4,296,550</u>	<u>15</u>	<u>4,296,565</u>
Change in net position					523,573	(100,696)	422,877
Net position, beginning					<u>3,095,421</u>	<u>2,647,039</u>	<u>5,742,460</u>
Net position, ending					<u>\$ 3,618,994</u>	<u>\$ 2,546,343</u>	<u>\$ 6,165,337</u>

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

Exhibit 3**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,532,503	\$	\$ 3,532,503
Taxes receivable (net)	19,449		19,449
Due from other governments	418,187		418,187
Inventories	<u>2,229</u>		<u>2,229</u>
Total assets	<u>\$ 3,972,368</u>	<u>\$</u>	<u>\$ 3,972,368</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 74,321</u>	<u>\$</u>	<u>\$ 74,321</u>
Deferred inflows of resources	<u>26,045</u>		<u>26,045</u>
Fund balances			
Nonspendable:			
Inventories	2,229		2,229
Restricted:			
Stabilization by State statute	468,834		468,834
Unassigned	<u>3,400,939</u>		<u>3,400,939</u>
Total fund balances	<u>3,872,002</u>		<u>3,872,002</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,972,368</u>	<u>\$</u>	<u>\$ 3,972,368</u>

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

Exhibit 3**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Balance Sheet
 Governmental Funds (continued)
 June 30, 2021

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

Total Fund Balances, Governmental Funds		\$ 3,872,002
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 7,074,050	
Accumulated depreciation	<u>(3,077,911)</u>	3,996,139
Deferred outflows of resources related to pensions are not reported in the funds		699,570
Deferred outflows of resources related to OPEB are not reported in the funds		391,730
Earned revenues considered deferred inflows of resources in fund statements		19,449
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	(779,015)	
Accrued compensated absences	(62,164)	
Net pension liability	(684,752)	
Total pension liability	(690,240)	
OPEB liability	<u>(1,904,897)</u>	(4,121,068)
Deferred inflows of resources related to pensions are not reported in the funds		(67,735)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(1,171,093)</u>
Net position of governmental activities		<u>\$ 3,618,994</u>

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

Exhibit 4**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

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

	Major Funds		
	General Fund	Capital Project Fund	Total
Revenues			
Ad valorem taxes	\$ 2,770,924	\$	\$ 2,770,924
Unrestricted intergovernmental	1,446,766		1,446,766
Restricted intergovernmental	110,417		110,417
Permits and fees	33,024		33,024
Investment earnings	936		936
Miscellaneous	52,450		52,450
Total revenues	<u>4,414,517</u>		<u>4,414,517</u>
Expenditures			
Current:			
General government	754,243		754,243
Public safety	2,099,730		2,099,730
Transportation	303,828		303,828
Physical development	735,869		735,869
Debt service:			
Principal	176,910		176,910
Interest and other charges	30,645		30,645
Total expenditures	<u>4,101,225</u>		<u>4,101,225</u>
Deficiency of revenues over expenditures	<u>313,292</u>		<u>313,292</u>
Other financing sources			
Sales of capital assets	22,838		22,838
Transfers (to) from other funds	103,326	(103,326)	
Total other financing sources	<u>126,164</u>	<u>(103,326)</u>	<u>22,838</u>
Net change in fund balance	439,456	(103,326)	336,130
Fund balance, beginning	<u>3,432,546</u>	<u>103,326</u>	<u>3,535,872</u>
Fund balance, ending	<u>\$ 3,872,002</u>	<u>\$</u>	<u>\$ 3,872,002</u>

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

Exhibit 4**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

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

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

Net changes in fund balances - total governmental funds	\$	336,130
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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 248,384		
Net book value of capital assets which were sold	(31,889)		
Depreciation expense for governmental assets	<u>(343,314)</u>		(126,819)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Amount of donated assets	14,791		
Change in unavailable revenue for tax revenue	<u>19,449</u>		34,240

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		164,530
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Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		15,309
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		104,729
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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.

Principal payments on long-term debt		176,910
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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.

Compensated absences	10,877		
Pension expense	(334,726)		
OPEB plan expense	<u>142,393</u>		<u>(181,456)</u>

Total changes in net position of governmental activities	\$	<u><u>523,573</u></u>
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The notes to the financial statements are an integral part of this statement.

Exhibit 5**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

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

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with final budget- positive (negative)</u>
Revenues				
Ad valorem taxes	\$ 2,743,227	\$ 2,786,399	\$ 2,770,924	\$ (15,475)
Unrestricted intergovernmental	1,138,733	1,277,735	1,446,766	169,031
Restricted intergovernmental	63,450	110,071	110,417	346
Permits and fees	21,400	36,400	33,024	(3,376)
Investment earnings	30,000	1,000	936	(64)
Miscellaneous	52,645	59,145	52,450	(6,695)
Total revenues	<u>4,049,455</u>	<u>4,270,750</u>	<u>4,414,517</u>	<u>143,767</u>
Expenditures				
Current:				
General government	784,872	830,641	754,243	76,398
Public safety	2,026,339	2,102,017	2,099,730	2,287
Transportation	222,445	366,946	303,828	63,118
Physical development	1,124,445	862,445	735,869	126,576
Debt service:				
Principal retirement	178,045	178,045	176,910	1,135
Interest and other charges	30,647	30,713	30,645	68
Total expenditures	<u>4,366,793</u>	<u>4,370,807</u>	<u>4,101,225</u>	<u>269,582</u>
Revenues over (under) expenditures	<u>(317,338)</u>	<u>(100,057)</u>	<u>313,292</u>	<u>413,349</u>
Other financing sources (uses)				
Sales of capital assets	15,000	21,000	22,838	1,838
Transfers from other funds			103,326	103,326
Installment purchase obligations issued	<u>300,000</u>			
Total other financing sources (uses)	<u>315,000</u>	<u>21,000</u>	<u>126,164</u>	<u>105,164</u>
Fund balance appropriated		<u>88,429</u>		<u>(88,429)</u>
Net change in fund balance	<u>\$ (2,338)</u>	<u>\$ 9,372</u>	<u>439,456</u>	<u>\$ 430,084</u>
Fund balance, beginning			<u>3,432,546</u>	
Fund balance, ending			<u>\$ 3,872,002</u>	

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Fund Net Position
Proprietary Fund
June 30, 2021**Assets**

Current assets:

Cash and cash equivalents	\$ 587,911
Accounts receivable (net)	82,603
Inventories	<u>11,100</u>
Total current assets	681,614

Noncurrent assets:

Capital assets, net of depreciation	<u>2,081,393</u>
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Total assets	<u>\$ 2,763,007</u>
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Deferred outflows of resources	<u>\$ 34,854</u>
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Liabilities

Current liabilities:

Accounts payable and accrued liabilities	\$ 86,724
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Noncurrent liabilities:

Compensated absences	1,568
Net pension liability	29,805
Total OPEB liability	<u>82,254</u>
Total noncurrent liabilities	<u>113,627</u>

Total liabilities	<u>\$ 200,351</u>
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Deferred inflows of resources	<u>\$ 51,167</u>
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Net position

Net investment in capital assets	\$ 2,081,393
Unrestricted	<u>464,950</u>
Total net position	<u>\$ 2,546,343</u>

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund For the Year Ended June 30, 2021

Operating revenues

Water sales	\$ 737,059
Water tap and connection fees	9,290
AMI transmitter charges	8,309
Commissions, sewer charge collection	<u>8,135</u>
Total operating revenues	<u>762,793</u>

Operating expenses

Salaries	66,765
Payroll taxes	5,068
Employee benefits	96,640
Maintenance and supplies	24,559
Water and sewer purchases	493,197
Professional services	5,653
Depreciation	166,969
Training and education	<u>4,653</u>
Total operating expenses	<u>863,504</u>

Operating loss (100,711)

Nonoperating revenues

Investment earnings	<u>15</u>
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Change in net position (100,696)

Net position, beginning 2,647,039

Total net position, ending \$ 2,546,343

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

Exhibit 8**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2021

Cash flows from operating activities

Cash received from customers	\$ 771,440
Cash paid for goods and services	(457,771)
Cash paid to or on behalf of employees for services	<u>(87,087)</u>
Net cash provided by operating activities	<u>226,582</u>

Cash flows from investing activities

Interest	<u>15</u>
Net increase in cash and cash equivalents	226,597
Balances, beginning	<u>361,314</u>
Balances, ending	<u>\$ 587,911</u>

Reconciliation of operating loss to net cash
 provided by operating activities:

Operating loss	\$ (100,711)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	166,969
Changes in assets, and deferred outflows, liabilities, and deferred inflows of resources:	
Decrease in accounts receivable	8,647
Increase in accounts payable and accrued liabilities	70,291
Increase in accrued compensated absences	509
Increase in deferred outflows of resources - pensions	(12,779)
Increase in deferred outflows of resources - OPEB	(8,943)
Increase in net pension liability	21,777
Increase in OPEB liability	45,876
Increase in deferred inflows of resources - pensions	312
Increase in deferred inflows of resources - OPEB	<u>34,634</u>
Total adjustments	<u>327,293</u>
Net cash provided by operating activities	<u>\$ 226,582</u>

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

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

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a three-member board of commissioners.

B. Basis of Presentation

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

The Town reports the following major governmental funds:

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

Capital Project Fund. This fund is used to account for the construction of the new Public Works building.

The Town reports the following major enterprise fund:

Water Fund. This fund is used to account for the Town's water 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's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Biltmore Forest because the tax is levied by Buncombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds.

Note 1 - Summary of Significant Accounting Policies (continued)

Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

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

Note 1 - Summary of Significant Accounting Policies (continued)

4. 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.

5. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies and fuel that are recorded as expenditures as used rather than when purchased.

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

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

6. Capital Assets

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and system	40
Infrastructure	5-20
Equipment and furniture	3-10
Vehicles and motorized equipment	5-10
Computer equipment	3
Computer software	3
Substations, lines, and related equipment	40
Other improvements	10-40

Note 1 - Summary of Significant Accounting Policies (continued)

7. Deferred Outflows/Inflows of Resources

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

8. 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, the face amount of debt issued is reported as other financing sources. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

9. Compensated Absences

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State statute - 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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 Biltmore Forest has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Manager 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 Town Manager has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is in the range of 25-35% of budgeted expenditures. Any portion of the general fund balance in excess of 35% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

11. Defined Benefit Pension Plan and Other Post Employment Benefit (OPEB) Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and the Retiree Health Benefit Fund (RHBF) and additions to/deductions from LGERS and RHBF's fiduciary net position have been determined on the same basis as they are reported by LGERS and RHBF. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Biltmore Forest's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and RHBF. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Contract for Fire Suppression Service and Emergency Medical Service

During the fiscal year ended June 30, 2014, the Town entered into an agreement with Skyland Fire and Rescue Corporation, a municipal corporation, through which Skyland Fire and Rescue would provide fire protection services and emergency medical services for the Town. The initial term of the contract is for 15 years, ending on September 1, 2028, with the option to continue with mutually agreeable terms. The cost of the services rendered by Skyland Fire and Rescue for the fiscal year ended June 30, 2021, was \$425,000.

Note 2 - Stewardship, Compliance, and Accountability

A. Budget Ordinance Violation

For the year ended June 30, 2021, the Town's original budget ordinance did not balance by (\$2,338) due to a formula error in the budget spreadsheet. This error was corrected in a subsequent budget amendment approved by the Board of Commissioners, however some additional budget errors occurred in budget amendments causing the final budget to be out of balance by \$9,372.

Corrective Action Plan

Management of the Town understands that the original budget was out of balance by \$2,338 due to a formula error in the budget spreadsheet. While this error was corrected in a subsequent budget amendment, there were additional budget errors in subsequent amendments that resulted in the final budget being out of balance by \$9,372. We acknowledge that these errors were oversights within the budget spreadsheet development process, and assert the following for our corrective action plan to resolve these issues:

- Both the original budget ordinance, and subsequent budget amendments, will be reviewed for balance prior to submitting to the Board of Commissioners. These reviews will comprise the following steps:
 - If the Finance Director creates the budget amendment within the spreadsheet, the Town Manager/Finance Officer will review the proposed amendment for balance compliance. This review will be documented on the staff memorandum provided to the Board of Commissioners prior to their consideration of the budget amendment.
 - If the Town Manager/Finance Officer creates the budget amendment, the process above will be reversed and the Finance Director will review the proposed amendment and provide documentation of compliance to the Board of Commissioners prior to their consideration of the budget amendment.
- Town management will also insert language into the budget amendment ordinance verifying that the above verifications have occurred.

Note 3 - Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$220,904 and a bank balance of \$235,248. The entire bank balance was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$185.

2. Investments

At June 30, 2021, the Town had \$3,899,325 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied or outstanding.

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

General fund - Taxes receivable	\$ 9,081
Water fund - Accounts receivable	<u>1,339</u>
Total	<u>\$ 10,420</u>

Note 3 - Detail Notes on All Funds (continued)**4. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 161,650	\$ 14,791	\$	\$ 176,441
Construction in progress	253,617	128,837	382,454	
Total capital assets not being depreciated	415,267	143,628	382,454	176,441
Capital assets being depreciated:				
Buildings and systems	2,705,202			2,705,202
Other improvements	168,205			168,205
Equipment and furniture	236,597	15,743		252,340
Vehicles and equipment	1,784,379	103,804	85,274	1,802,909
Infrastructure	1,586,499	382,454		1,968,953
Total capital assets being depreciated	6,480,882	\$ 502,001	\$ 85,274	6,897,609
Less accumulated depreciation for:				
Buildings and systems	510,203	62,922		573,125
Other improvements	97,709	4,975		102,684
Equipment and furniture	215,127	9,831		224,958
Vehicles and equipment	979,387	199,532	53,385	1,125,534
Infrastructure	985,556	66,054		1,051,610
Total accumulated depreciation	2,787,982	\$ 343,314	\$ 53,385	3,077,911
Total capital assets being depreciated, net	3,692,900			3,819,698
Governmental activity capital assets, net	\$ 4,108,167			\$ 3,996,139

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

General government	\$ 71,083
Public safety	128,561
Transportation	69,074
Physical development	74,596
Total depreciation expense	<u>\$ 343,314</u>

Note 3 - Detail Notes on All Funds (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Buildings and systems	\$ 4,791,369	\$	\$	\$ 4,791,369
Vehicles and equipment	87,207			87,207
Total capital assets being depreciated	4,878,576	\$	\$	4,878,576
Less accumulated depreciation for:				
Water system	2,545,693	166,630		2,712,323
Vehicles and equipment	84,521	339		84,860
Total accumulated depreciation	2,630,214	\$ 166,969	\$	2,797,183
Total capital assets being depreciated, net	2,248,362			2,081,393
Water fund capital assets, net	\$ 2,248,362			\$ 2,081,393

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Governmental Employees' Retirement System**

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

Note 3 - Detail Notes on All Funds (continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined at 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 or 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 Biltmore Forest 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 Biltmore Forest's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 were \$164,530 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.

Note 3 - Detail Notes on All Funds (continued)

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 \$720,045 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 updated procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.02015%, which was an increase of 0.0042% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$253,700. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,929	\$
Changes of assumptions	53,585	
Net difference between projected and actual earnings on pension plan investments	101,327	
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,018	14,470
Town contributions subsequent to the measurement date	164,530	
Total	<u>\$ 433,389</u>	<u>\$ 14,470</u>

\$164,530 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:

2021	\$ 73,875
2022	94,891
2023	55,635
2024	29,988
2025	
Thereafter	

Note 3 - Detail Notes on All Funds (continued)

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 weighing 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>100.0%</u>	

Note 3 - Detail Notes on All Funds (continued)

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

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

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

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,460,894	\$ 720,045	\$ 104,348

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

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

The Town 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 5 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.

Note 3 - Detail Notes on All Funds (continued)

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

Inactive members currently receiving benefits	2
Active plan members	<u>12</u>
Total	<u><u>14</u></u>

(2) 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.

(3) Actuarial Assumptions

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

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

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

Mortality rates use the Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

(4) Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$30,617 as benefits came due for the reporting period.

Note 3 - Detail Notes on All Funds (continued)

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 \$684,752. 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 \$105,489.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 110,659	\$ 43,351
Changes of assumptions	158,152	10,513
Town benefit payments and plan administrative expense made subsequent to the measurement date	15,309	
Total	<u>\$ 284,120</u>	<u>\$ 53,864</u>

\$15,309 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 70,532
2023	69,382
2024	49,266
2025	23,642
2026	2,125
Thereafter	

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 734,866	\$ 684,752	\$ 638,113

Note 3 - Detail Notes on All Funds (continued)

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

	<u>2021</u>
Beginning balance	\$ 560,077
Service Cost	17,198
Interest on the total pension liability	17,759
Difference between expected and actual experience	(53,950)
Changes of assumptions or other inputs	174,285
Benefit payments	<u>(30,617)</u>
Ending balance of the total pension liability	<u>\$ 684,752</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 253,700	\$ 105,489	\$ 359,189
Pension Liability	720,045	684,752	1,404,797
Proportionate share of net pension liability	0.02015%	n/a	

Deferred Outflows of Resources:

Contributions to pension plan in current fiscal year	164,530		164,530
Differences between expected and actual experience	90,929	110,659	201,588
Changes of assumptions	53,585	158,152	211,737
Net difference between projected and actual earnings on plan investments	101,327		101,327
Changes in proportion and differences between contributions and proportionate share of contributions	23,018		23,018
Benefit payments and administrative costs paid subsequent to the measurement date		15,309	15,309

Note 3 - Detail Notes on All Funds (continued)

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$	\$ 43,351	\$ 43,351
Changes in proportion and differences between contributions and proportionate share of contributions	14,470		14,470
Changes of assumptions		10,513	10,513

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. The Town made contributions of \$39,659 for the reporting year. No amounts were forfeited.

The Town has elected to contribute to the Plan for the general employees as well as for law enforcement officers. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each month the Town contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. The general employees may also make voluntary contributions to the plan. The Town made contributions of \$39,101 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits (OPEB)**Healthcare Benefits**

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEA's, charter schools, and some select local governments also participate.

Note 3 - Detail Notes on All Funds (continued)

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members - eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's Annual Comprehensive Financial Report, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two-fully insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Note 3 - Detail Notes on All Funds (continued)

RHBF's benefit and contribution provisions are established by Chapter 135, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.68% of covered payroll which amounted to \$104,729.

At June 30, 2021, the Town reported a liability of \$1,987,151 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing updated procedures incorporating the actuarial assumptions. The Town's proportion of the net OPEB liability was based on a projection of the Town's present value of future salary, actuarially determined. At June 30, 2020 and June 2019 the Town's proportion was 0.00716% and 0.00772%, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,800	\$ 77,740
Changes of assumptions	87,148	806,417
Net difference between projected and actual earnings on OPEB plan investments	4,186	
Changes in proportion and differences between Town contributions and proportionate share of contributions	210,782	337,504
Town contributions subsequent to the measurement date	104,729	
Total	<u>\$ 408,645</u>	<u>\$ 1,221,661</u>

\$104,729 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022.

Note 3 - Detail Notes on All Funds (continued)

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$	262,236
2023		262,018
2024		204,589
2025		88,494
2026		100,398
Thereafter		

Actuarial assumptions. Common actuarial assumptions for the OPEB plan follow individual note disclosures for the OPEB plan.

Inflation	3.00%
Salary increases	3.50% to 8.10%, including inflation and productivity factors
Investment rate of return	7.00%

Healthcare cost trend rates:

Medical	6.50% grading down to 5.00% by 2024 for non-MA and MA coverage
Prescription drug	9.50% grading down to 5.00% by 2028
Administrative costs	3.00%
Post-Retirement Mortality Rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78, and projected for mortality improvement using Scale MP-2015

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.21% at June 30, 2020 compared to 3.50% at June 30, 2019. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability and is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

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

Note 3 - Detail Notes on All Funds (continued)

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 2,356,635	\$ 1,987,151	\$ 1,689,470

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

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00-5.50%, <u>Administrative - 2.00%</u>)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00-6.50%, <u>Administrative - 3.00%</u>)	1% Increase (Medical - 6.00-7.50%, Pharmacy - 6.00-10.5%, Medicare Advantage - 6.00-7.50%, <u>Administrative - 4.00%</u>)
Net OPEB liability	\$ 1,602,003	\$ 1,987,151	\$ 2,501,953

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

2. Other Employment Benefits

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

Note 3 - Detail Notes on All Funds (continued)

3. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 164,530
Benefit payments and administrative expenses for LEOSSA made subsequent to the measurement date	15,309
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	104,729
Differences between expected and actual experience	203,388
Changes of assumptions	298,885
Net difference between projected and actual	105,513
Changes in proportion and differences between employer contributions and proportionate share of contributions	233,800
Total	<u>\$ 1,126,154</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 6,596	\$ 6,596
Taxes receivable (General Fund)		19,449
Differences between expected and actual experience	121,091	
Changes in assumptions	816,930	
Changes in proportion and differences between employer contributions and proportionate share of contributions	351,974	
Total	<u>\$ 1,296,591</u>	<u>\$ 26,045</u>

4. Risk Management

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

Note 3 - Detail Notes on All Funds (continued)

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

The Town has a Flood Damage Prevention Ordinance and has a small area that has been identified and mapped by the Flood Insurance Rate Map. There is no historical evidence of flood damage in the areas identified and Floodplain Insurance does not appear to be necessary at this time.

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the Town was not a defendant to any lawsuits.

6. Long-Term Obligations

a. Installment Purchases

Serviced by the General Fund:

Note payable, bearing interest at 3.36% per annum, due in 19 semi-annual of \$42,105 beginning October 2019 and ending October 2028, collateralized by a deed of trust.	\$ 631,578
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Note payable, bearing interest at 3.81% per annum, due in 60 quarterly payments of \$1,667 plus accrued interest, beginning August 2009 and ending May 2024, collateralized by a deed of trust.	19,999
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Note payable, bearing interest at 3.81% per annum, due in 60 quarterly payments of \$5,833 plus accrued interest, beginning August 2009 and ending May 2024, collateralized by a deed of trust.	70,001
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Note payable, bearing interest at 2.75% per annum, due in 3 annual payments of \$29,906 beginning September 2020 and ending September 2022, collateralized by police vehicles.	<u>57,437</u>
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Total installment purchases	779,015
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Less, current portion	<u>142,536</u>
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Noncurrent portion of installment purchases	<u><u>\$ 636,479</u></u>
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Note 3 - Detail Notes on All Funds (continued)

Annual debt service payments for installment purchases as of June 30, 2021, including \$92,129 of interest, are as follows:

Years Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 142,536	\$ 25,094
2023	143,321	20,342
2024	114,210	15,569
2025	84,210	12,025
2026	84,210	9,196
2027-2031	<u>210,528</u>	<u>9,903</u>
	<u>\$ 779,015</u>	<u>\$ 92,129</u>

b. Changes in Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 955,925	\$	\$ 176,910	\$ 779,015	\$ 142,536
Compensated absences	73,041	53,871	64,748	62,164	
Total OPEB liability	2,405,013		500,116	1,904,897	
Net pension liability (LGERS)	530,783	159,457		690,240	
Total pension liability (LEO)	<u>560,077</u>	<u>124,675</u>		<u>684,752</u>	
Governmental activities long-term liabilities	<u>\$ 4,524,839</u>	<u>\$ 338,003</u>	<u>\$ 741,774</u>	<u>\$ 4,121,068</u>	<u>\$ 142,536</u>
Business-type activities:					
Compensated absences	\$ 1,059	\$ 2,156	\$ 1,647	\$ 1,568	\$
Total OPEB liability	36,378	45,876		82,254	
Net pension liability (LGERS)	<u>8,028</u>	<u>21,777</u>		<u>29,805</u>	
Business-type activities long-term liabilities	<u>\$ 45,465</u>	<u>\$ 69,809</u>	<u>\$ 1,647</u>	<u>\$ 113,627</u>	<u>\$</u>

C. Interfund Balances and Activity

There are no balances due to/from other funds at June 30, 2021.

Transfers to/from other funds for the year ended June 30, 2021, consist of the following:

From the Capital Project Fund to the General Fund to close out the capital project fund upon completion of the public works building	<u>\$ 103,326</u>
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Note 3 - Detail Notes on All Funds (continued)

D. Net Investment in Capital Assets

The Town's net investment in capital assets at June 30, 2021 is calculated as follows:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 3,996,139	\$ 2,081,393
Less: long-term debt	<u>779,015</u>	
Net investment in capital assets	<u>\$ 3,217,124</u>	<u>\$ 2,081,393</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 3,872,002
Less:	
Inventories	2,229
Stabilization by State Statute	468,834
Working capital / fund balance policy	<u>1,092,702</u>
Remaining fund balance	<u>\$ 2,308,237</u>

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is in the range of 25-35% of budgeted expenditures.

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Capital Project Fund</u>
	\$50,647	\$0

Note 4 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

Note 5 - Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 22, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of the Proportionate Share of Net Pension Liability Local Government Employees' Retirement System Last Eight Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.02015%	0.01973%	0.02350%	0.02272%	0.02236%	0.02205%	0.01902%	0.02010%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 720,045	\$ 538,811	\$ 557,500	\$ 347,099	\$ 474,554	\$ 98,960	\$ (112,170)	\$ 242,282
Town's covered payroll	\$ 1,544,077	\$ 1,486,508	\$ 1,453,664	\$ 1,462,980	\$ 1,397,262	\$ 1,321,703	\$ 1,222,192	\$ 1,212,016
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.63%	36.25%	38.35%	23.73%	33.96%	7.49%	(9.18%)	19.99%
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 BILTMORE FOREST, NORTH CAROLINA

Schedule of Contributions Local Government Employees' Retirement System Last Eight Fiscal Years

	<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	\$ 164,530	\$ 144,204	\$ 121,448	\$ 114,994	\$ 112,193	\$ 96,833	\$ 95,936	\$ 89,522
Contributions in relation to the contractually required contribution	<u>164,530</u>	<u>144,204</u>	<u>121,448</u>	<u>114,994</u>	<u>112,193</u>	<u>96,833</u>	<u>95,936</u>	<u>89,522</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	<u>\$ 1,567,805</u>	<u>\$ 1,544,077</u>	<u>\$ 1,486,508</u>	<u>\$ 1,453,664</u>	<u>\$ 1,462,980</u>	<u>\$ 1,397,262</u>	<u>\$ 1,321,703</u>	<u>\$ 1,222,192</u>
Contributions as a percentage of covered payroll	10.49%	9.34%	8.17%	7.91%	7.67%	6.93%	7.26%	7.32%

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance Last Five Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 560,077	\$ 489,859	\$ 397,011	\$ 309,509	\$ 302,518
Service cost	17,198	19,649	22,786	18,555	17,337
Interest on the total pension liability	17,759	16,819	12,062	11,490	10,547
Differences between expected and actual experience in the measurement of the total pension liability	(53,950)	73,982	107,940	52,926	
Changes of assumptions or other inputs	174,285	15,385	(19,323)	28,191	(6,721)
Benefit payments	<u>(30,617)</u>	<u>(55,617)</u>	<u>(30,617)</u>	<u>(23,660)</u>	<u>(14,172)</u>
Ending balance of the total pension liability	<u>\$ 684,752</u>	<u>\$ 560,077</u>	<u>\$ 489,859</u>	<u>\$ 397,011</u>	<u>\$ 309,509</u>

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance Last Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 684,752	\$ 560,077	\$ 489,859	\$ 397,011	\$ 309,509
Town's covered payroll	\$ 803,531	\$ 832,387	\$ 835,067	\$ 853,284	\$ 791,135
Total pension liability as a percentage of covered payroll	85.22%	67.29%	58.66%	46.53%	39.12%

Notes to the schedule

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

The pension schedules are intended to show information for ten years; additional years' information will be displayed as it becomes available.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of the Town's Proportionate Share of Net OPEB Liability Retiree Health Benefit Fund Last Four Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	0.00716%	0.00772%	0.00786%	0.00845%
Town's proportionate share of the net OPEB liability	\$ 1,987,151	\$ 2,441,391	\$ 2,238,634	\$ 2,769,848
Town's covered payroll	\$ 1,544,077	\$ 1,486,508	\$ 1,453,664	\$ 1,462,980
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	128.70%	164.24%	154.00%	189.33%
Plan Fiduciary net position as a percentage of the total OPEB liability**	6.92%	4.40%	4.40%	3.52%

* 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 RHBF plan.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of Contributions Retiree Health Benefit Fund Last Four Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 104,729	\$ 99,902	\$ 93,204	\$ 87,947
Contributions in relation to the contractually required contribution	<u>104,729</u>	<u>99,902</u>	<u>93,204</u>	<u>87,947</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	<u>\$ 1,567,805</u>	<u>\$ 1,544,077</u>	<u>\$ 1,486,508</u>	<u>\$ 1,453,664</u>
Contributions as a percentage of the covered payroll	6.68%	6.47%	6.27%	6.05%

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

TOWN OF BILTMORE FOREST, NORTH CAROLINA

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	\$ 2,772,099	\$ 2,757,969	\$ (14,130)
Interest	14,300	12,955	(1,345)
Total	<u>2,786,399</u>	<u>2,770,924</u>	<u>(15,475)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,093,957	1,228,101	134,144
Franchise tax	177,778	213,010	35,232
Beer and wine tax	6,000	5,655	(345)
Total	<u>1,277,735</u>	<u>1,446,766</u>	<u>169,031</u>
Restricted intergovernmental:			
Solid waste disposal tax	950	1,012	62
Illicit substance tax		285	285
COVID reimbursements	52,717	52,717	
Powell Bill allocation	56,404	56,403	(1)
Total	<u>110,071</u>	<u>110,417</u>	<u>346</u>
Permits and fees:			
Dog license fee	1,400	1,350	(50)
Building permits	35,000	31,674	(3,326)
Total	<u>36,400</u>	<u>33,024</u>	<u>(3,376)</u>
Investment earnings	1,000	936	(64)
Miscellaneous:			
American Tower	37,645	29,620	(8,025)
Other	21,500	22,830	1,330
Total	<u>59,145</u>	<u>52,450</u>	<u>(6,695)</u>
Total revenues	<u>4,270,750</u>	<u>4,414,517</u>	<u>143,767</u>
Expenditures			
General government:			
Administration:			
Salaries and benefits	317,801	329,220	(11,419)
Professional services	50,000	44,982	5,018
Other operating expenditures	29,250	26,986	2,264
Board salary	22,000	21,600	400
Total	<u>\$ 419,051</u>	<u>\$ 422,788</u>	<u>\$ (3,737)</u>

TOWN OF BILTMORE FOREST, NORTH CAROLINA

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Other:			
Outside professional services	\$ 35,000	\$ 28,896	\$ 6,104
Electricity and utilities	108,569	93,317	15,252
General repairs	25,000	30,120	(5,120)
Insurance	90,000	78,179	11,821
Other operating expenditures	<u>153,021</u>	<u>100,943</u>	<u>52,078</u>
Total	<u>411,590</u>	<u>331,455</u>	<u>80,135</u>
Total general government	<u>830,641</u>	<u>754,243</u>	<u>76,398</u>
Public safety:			
Police:			
Salaries and benefits	1,397,830	1,420,228	(22,398)
Vehicle maintenance	45,162	39,611	5,551
Other operating expenditures	135,825	118,469	17,356
Capital outlay	<u>98,200</u>	<u>96,422</u>	<u>1,778</u>
Total	<u>1,677,017</u>	<u>1,674,730</u>	<u>2,287</u>
Contracted fire services	<u>425,000</u>	<u>425,000</u>	<u></u>
Total public safety	<u>2,102,017</u>	<u>2,099,730</u>	<u>2,287</u>
Transportation:			
Salaries and benefits	79,946	47,511	32,435
Vehicle maintenance	6,750	3,353	3,397
Resurfacing contracts	100,000	91,086	8,914
Storm water drainage	160,000	147,920	12,080
Other operating expenditures	18,250	12,498	5,752
Capital outlay	<u>2,000</u>	<u>1,460</u>	<u>540</u>
Total transportation	<u>366,946</u>	<u>303,828</u>	<u>63,118</u>
Physical development:			
Public works:			
Salaries and benefits	395,513	354,944	40,569
Vehicle maintenance	10,000	6,874	3,126
Other operating expenditures	81,500	61,780	19,720
Street lighting	10,000	6,975	3,025
Capital outlay	<u>53,250</u>	<u>39,485</u>	<u>13,765</u>
Total	<u>\$ 550,263</u>	<u>\$ 470,058</u>	<u>\$ 80,205</u>

TOWN OF BILTMORE FOREST, NORTH CAROLINA

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Sanitation and recycling:			
Salaries and benefits	\$ 207,307	\$ 173,239	\$ 34,068
Tipping fees	77,500	68,674	8,826
Recycling	11,250	8,269	2,981
Other operating expenditures	16,125	15,629	496
Total	<u>312,182</u>	<u>265,811</u>	<u>46,371</u>
Total physical development	<u>862,445</u>	<u>735,869</u>	<u>126,576</u>
Debt service:			
Principal retirement	178,045	176,910	1,135
Interest	30,713	30,645	68
Total debt service	<u>208,758</u>	<u>207,555</u>	<u>1,203</u>
Total expenditures	<u>4,370,807</u>	<u>4,101,225</u>	<u>269,582</u>
Revenues over (under) expenditures	<u>(100,057)</u>	<u>313,292</u>	<u>413,349</u>
Other financing sources (uses):			
Sale of capital assets	21,000	22,838	1,838
Transfer from Capital Project Fund	<u> </u>	<u>103,326</u>	<u>103,326</u>
Total	<u>21,000</u>	<u>126,164</u>	<u>105,164</u>
Fund balance appropriated	<u>88,429</u>	<u> </u>	<u>(88,429)</u>
Net change in fund balance	<u>\$ 9,372</u>	439,456	<u>\$ 430,084</u>
Fund balances, beginning		<u>3,432,546</u>	
Fund balances, ending		<u>\$ 3,872,002</u>	

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Capital Project Fund Schedule of Revenues and Expenditures - Budget and Actual From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ _____	\$ 35	\$ _____	\$ 35	\$ 35
Expenditures					
Design and architectural services	22,000	19,800		19,800	2,200
Construction	1,497,250	1,410,928		1,410,928	86,322
Equipment		65,231		65,231	(65,231)
Total expenditures	<u>1,519,250</u>	<u>1,495,959</u>		<u>1,495,959</u>	<u>23,291</u>
Other financing sources					
Transfers from other funds:					
From General Fund	719,250	799,250		799,250	80,000
Transfers to other funds					
To General Fund			(103,326)	(103,326)	(103,326)
Proceeds from long-term debt	<u>800,000</u>	<u>800,000</u>		<u>800,000</u>	
Total other financing sources	<u>1,519,250</u>	<u>1,599,250</u>	<u>(103,326)</u>	<u>1,495,924</u>	<u>(23,326)</u>
Other financing sources over (under) expenditures	\$ _____	\$ 103,326	\$ (103,326)	\$ _____	\$ _____

TOWN OF BILTMORE FOREST, 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>
Revenues			
Operating revenues:			
Water sales	\$ 777,717	\$ 737,059	\$ (40,658)
Water tap and connection fees	9,000	9,290	290
AMI transmitter charges	7,700	8,309	609
Commissions, sewer charge collections	<u>8,000</u>	<u>8,135</u>	<u>135</u>
Total operating revenues	802,417	762,793	(39,624)
Non-operating revenues:			
Investment earnings	<u>20</u>	<u>15</u>	<u>(5)</u>
Total revenues	<u>802,437</u>	<u>762,808</u>	<u>(39,629)</u>
Expenditures			
Operating expenditures:			
Salaries and benefits	110,414	87,087	23,327
Professional services	10,000	5,653	4,347
Repairs and maintenance	8,687	3,817	4,870
Other operating expenditures	43,200	25,395	17,805
Water purchases	237,275	159,450	77,825
Sewer purchases	344,823	333,747	11,076
Capital outlay	<u>50,000</u>	<u></u>	<u>50,000</u>
Total expenditures	<u>804,399</u>	<u>615,149</u>	<u>189,250</u>
Revenues over expenditures	<u>\$ (1,962)</u>	147,659	<u>\$ 149,621</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(166,969)	
Increase in accrued vacation pay		(509)	
Increase in deferred outflows of resources - pensions		12,779	
Increase in net pension liability		(21,777)	
Increase in deferred inflow of resources - pensions		(312)	
Increase in deferred outflows of resources - OPEB		8,943	
Increase in net OPEB liability		(45,876)	
Increase in deferred inflows of resources - OPEB		<u>(34,634)</u>	
Total reconciling items		<u>(248,355)</u>	
Change in net position		<u>\$ (100,696)</u>	

OTHER SCHEDULES

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$	\$ 2,777,170	\$ 2,750,365	\$ 26,805
2019-2020	9,359		8,139	1,220
2018-2019				
2017-2018				
2016-2017	1			1
2015-2016	259			259
2014-2015	19			19
2013-2014				
2012-2013	173			173
2011-2012	53			53
	<u>\$ 9,864</u>	<u>\$ 2,777,170</u>	<u>\$ 2,758,504</u>	28,530
Less: allowance for uncollectible accounts:				
General Fund				<u>9,081</u>
Ad valorem taxes receivable - net				<u>\$ 19,449</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,770,924
Reconciling items:				
Interest collected				(12,955)
Taxes written off				<u>535</u>
Total collections and credits				<u>\$ 2,758,504</u>

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Analysis of Current Tax Levy Town-Wide Levy June 30, 2021

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year rate	\$ 805,470,869	0.345	\$ 2,778,874	\$ 2,672,095	\$ 106,779
Exemptions and releases	<u>(494,050)</u>		<u>(1,704)</u>	<u>(1,704)</u>	
Total property valuation	<u>\$ 804,976,819</u>				
Net levy			2,777,170	2,670,391	106,779
Uncollected taxes at June 30, 2021			<u>(26,805)</u>	<u>(26,805)</u>	
Current year's taxes collected			<u>\$ 2,750,365</u>	<u>\$ 2,643,586</u>	<u>\$ 106,779</u>
Current levy collection percentage			<u>99.03%</u>	<u>99.00%</u>	<u>100.00%</u>