

TOWN OF CANDOR, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021



Board of Commissioners

Phillip Hearne, Mayor

G. Layton Booker, Mayor Pro-Tem

Timothy J. Smith

Jerry Brewer

David Kellis

Daniel Harris

Town Officials

Tammy Kellis, Town Clerk

Russell Hollers, Town Attorney

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Candor, North Carolina as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, and the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability and Contributions on pages 46 and 47, 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 48 and 49, respectively, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 50 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 the Town of Candor, North Carolina. The Individual Fund Statements and Schedules (budgetary schedules), and Other Schedules ("supplementary and other information") on pages 55 through 65, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information 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 described above, the supplementary and other information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 11, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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

Financial Highlights

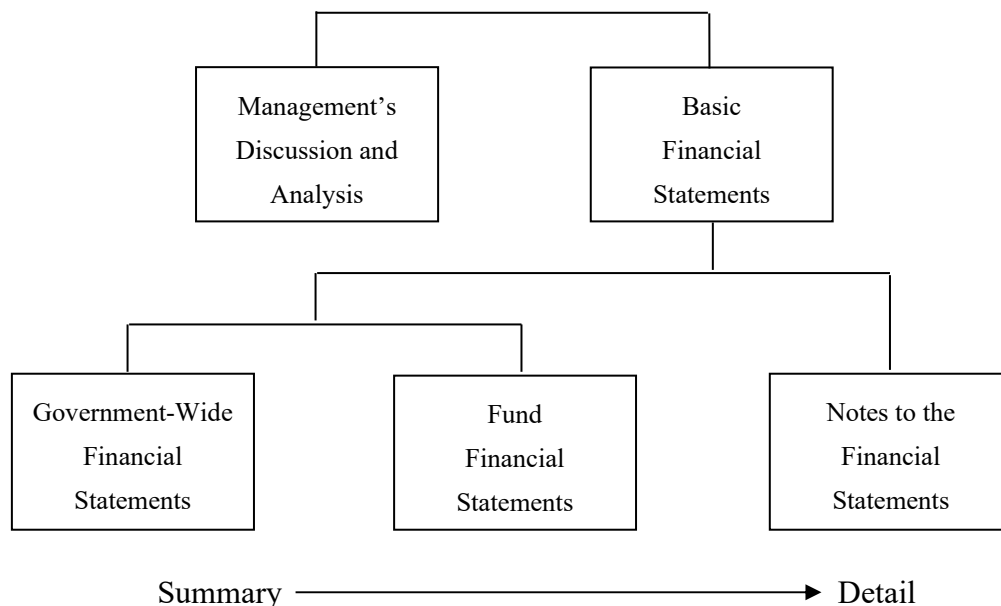
- The assets and deferred outflows of resources of the Town of Candor exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,084,663 (net position).
- The government's total net position decreased by \$338,951.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balance of \$904,284 with a net decrease of \$337,630 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$665,854, or 71%, of the total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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 11) 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; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

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

Government-Wide Financial 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, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Candor.

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

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Candor 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 Fund - The Town of Candor has one proprietary fund or enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Candor uses its enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Candor has one fiduciary fund, which is an agency fund associated with relief for firemen and their families.

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 immediately follow Exhibit 11 of the audit report.

Other Information – In addition to the basic financial statements and accompanying notes, these reports include certain required supplementary information concerning the Town of Candor's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found as outlined in the table of contents.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Government-Wide Financial Analysis
Town of Candor's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 972,302	\$ 1,487,419	\$ 473,890	\$ 529,225	\$ 1,446,192	\$ 2,016,644
Capital assets	926,899	922,123	3,035,291	2,970,124	3,962,190	3,892,247
Deferred outflows of resources	162,775	79,617	36,111	30,101	198,886	109,718
Total assets and deferred outflows of resources	<u>2,061,976</u>	<u>2,489,159</u>	<u>3,545,292</u>	<u>3,529,450</u>	<u>5,607,268</u>	<u>6,018,609</u>
Liabilities:						
Long-term liabilities	859,238	762,317	333,770	307,360	1,193,008	1,069,677
Other liabilities	38,766	255,150	50,754	66,625	89,520	321,775
Deferred Inflows of resources	196,186	156,636	43,891	46,907	240,077	203,543
Total liabilities and deferred inflows of resources	<u>1,094,190</u>	<u>1,174,103</u>	<u>428,415</u>	<u>420,892</u>	<u>1,522,605</u>	<u>1,594,995</u>
Net Position:						
Net investment in capital assets	463,934	438,150	2,799,104	2,710,697	3,263,038	3,148,847
Restricted	195,985	104,029	-	-	195,985	104,029
Unrestricted	307,867	772,877	317,773	397,861	625,640	1,170,738
Total net position	<u>\$ 967,786</u>	<u>\$ 1,315,056</u>	<u>\$ 3,116,877</u>	<u>\$ 3,108,558</u>	<u>\$ 4,084,663</u>	<u>\$ 4,423,614</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 resources of the Town of Candor exceeded liabilities and deferred inflows of resources by \$4,084,663 as of June 30, 2021. The Town's net position decreased by \$338,951 for the fiscal year ended June 30, 2021. However, the largest portion (80%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Candor uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Candor's net investment in capital assets are 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, \$195,985, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$625,640 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position, particularly a collection rate of 98% for property taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Town of Candor's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 20,722	\$ 20,039	\$ 615,369	\$ 628,616	\$ 636,091	\$ 648,655
Operating grants and contributions	26,256	427,804	-	-	26,256	427,804
Capital grants and contributions	-	-	-	401,692	-	401,692
General revenues:						
Property taxes	559,341	492,544	-	-	559,341	492,544
Grants and contributions not restricted to specific programs	400,462	362,866	-	-	400,462	362,866
Other	86,793	76,338	33	1,847	86,826	78,185
Total revenues	<u>1,093,574</u>	<u>1,379,591</u>	<u>615,402</u>	<u>1,032,155</u>	<u>1,708,976</u>	<u>2,411,746</u>
Expenses:						
General government	253,537	309,123	-	-	253,537	309,123
Public safety	966,607	414,807	-	-	966,607	414,807
Transportation	108,791	111,547	-	-	108,791	111,547
Environmental protection	81,392	85,582	-	-	81,392	85,582
Cultural and recreational	30,517	42,910	-	-	30,517	42,910
Water and sewer	-	-	607,083	645,217	607,083	645,217
Total expenses	<u>1,440,844</u>	<u>963,969</u>	<u>607,083</u>	<u>645,217</u>	<u>2,047,927</u>	<u>1,609,186</u>
Change in net position	(347,270)	415,622	8,319	386,938	(338,951)	802,560
Net position, beginning	<u>1,315,056</u>	<u>899,434</u>	<u>3,108,558</u>	<u>2,721,620</u>	<u>4,423,614</u>	<u>3,621,054</u>
Net position, ending	<u>\$ 967,786</u>	<u>\$ 1,315,056</u>	<u>\$ 3,116,877</u>	<u>\$ 3,108,558</u>	<u>\$ 4,084,663</u>	<u>\$ 4,423,614</u>

Governmental activities - Governmental activities decreased the Town's net position by \$347,270, thereby accounting for 102% of the total decrease in the net position of the Town of Candor.

Business-type activities - Business-type activities increased the Town's net position by \$8,319, accounting for -2% of the total decrease in the government's net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Candor. At the end of the current fiscal year, the Town of Candor's fund balance available in the General Fund was \$665,854, while the total fund balance was \$861,839. The Governing Body has determined that the Town should maintain an available fund balance of 10% 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 71% of General Fund expenditures, while total fund balance represents 92% of the same amount.

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

Revenues exceeded budget because of increased property tax assessments and increased local option sales tax, that were not included in the budget. Expenditures were under budget because of the reduction in general government expenditures.

Proprietary Fund - The Town'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 and Sewer Fund at the end of the fiscal year amounted to \$317,773. The total increase in the net position of the Water and Sewer Fund was \$8,319.

Capital Asset and Debt Administration

Capital Assets - The Town of Candor's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$3,148,847 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the water pump improvements totaling \$140,780 and purchase of equipment and vehicles totaling \$55,078.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Town of Candor, North Carolina's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 169,250	\$ 169,250	\$ 142,162	\$ 142,162	\$ 311,412	\$ 311,412
Buildings and systems	214,695	225,951	1,609,094	1,667,985	1,823,789	1,893,936
Construction in process	299,895	299,895	1,216,499	1,075,719	1,516,394	1,375,614
Infrastructure	108,480	113,731	-	-	108,480	113,731
Machinery and equipment	33,549	41,543	59,863	70,446	93,412	111,989
Vehicles and motorized equipment	101,030	71,753	7,673	13,812	108,703	85,565
Total	<u>\$ 926,899</u>	<u>\$ 922,123</u>	<u>\$ 3,035,291</u>	<u>\$ 2,970,124</u>	<u>\$ 3,962,190</u>	<u>\$ 3,892,247</u>

Additional information regarding the Town's capital assets can be found in the notes to the basic financial statements.

Long-Term Debt - As of June 30, 2021 and 2020, the Town of Candor had \$699,152 and \$743,400, respectively, of debt outstanding relating to the purchase of assets for public safety and water/sewer.

Additional information regarding the Town's long-term debt can be found in the notes to the basic financial statements.

Town of Candor's Outstanding Debt - The Town's total debt decreased by \$44,248 during the past fiscal year due to additional borrowings and debt payments on outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Candor is \$6,394,088.

Economic Factors and Next Year's Budgets and Rates

The Town did not hold the Annual North Carolina Peach Festival in July 2020 or the Annual Christmas Tree lighting in December due to COVID. This did create a minor reduction in revenue but was offset by the reduction in expenditures for the events. Hopefully 2021-2022 will prove to be more community friendly. The Town is actively seeking grants and funds for park and downtown renovations. Renovating our park will have a huge impact on the NC Peach Festival and the growth of our community.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The town will show an increase in ad valorem taxes due to re-valuation.

Business-type activities: The last debt service payment on a jet vac in the Sewer department will be made in September 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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 Finance Office, Town of Candor, North Carolina, P.O. Box 220, Candor, NC 27229. You can also call (910) 974-4221, visit our website www.townofcandornc.com or send an email to townofcandor@embarqmail.com for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF CANDOR, NORTH CAROLINA
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 724,709	\$ 435,524	\$ 1,160,233
Receivables, taxes, net	17,214	-	17,214
Receivables, accounts, net	-	53,977	53,977
Note receivable, current portion	5,661	-	5,661
Due from other governments	81,641	-	81,641
Due (to)/from other funds	18,000	(18,000)	-
Restricted cash and cash equivalents	118,700	2,389	121,089
Total current assets	965,925	473,890	1,439,815
Non-current assets:			
Note receivable, non-current portion	6,377	-	6,377
Land, non-depreciable improvements	469,145	1,358,661	1,827,806
Other capital assets, net of depreciation	457,754	1,676,630	2,134,384
Total non-current assets	933,276	3,035,291	3,968,567
Total assets	1,899,201	3,509,181	5,408,382
Deferred Outflows of Resources			
Pension deferrals	144,856	30,758	175,614
OPEB deferrals	17,919	5,353	23,272
Total deferred outflows of resources	162,775	36,111	198,886
Liabilities			
Current liabilities:			
Accounts payable	38,766	48,365	87,131
Current portion of long-term liabilities	49,954	33,152	83,106
Liabilities payable from restricted assets:			
Customer deposits	-	2,389	2,389
Total current liabilities	88,720	83,906	172,626
Long-term liabilities:			
Due in more than one year	809,284	300,618	1,109,902
Total liabilities	898,004	384,524	1,282,528
Deferred Inflows of Resources			
Pension deferrals	58,331	2,714	61,045
OPEB deferrals	137,855	41,177	179,032
Total deferred inflows of resources	196,186	43,891	240,077
Net Position			
Net investment in capital assets	463,934	2,799,104	3,263,038
Restricted for Stabilization by State Statute	77,285	-	77,285
Restricted for Streets	118,700	-	118,700
Unrestricted	307,867	317,773	625,640
Total net position	\$ 967,786	\$ 3,116,877	\$ 4,084,663

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

TOWN OF CANDOR, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Primary government:				
Governmental activities:				
General government	\$ 253,537	\$ -	\$ -	\$ -
Public safety	966,607	-	-	-
Transportation	108,164	-	25,633	-
Environmental protection	81,392	20,722	623	-
Cultural and recreational	30,517	-	-	-
Interest on long-term debt	627	-	-	-
Total governmental activities	<u>1,440,844</u>	<u>20,722</u>	<u>26,256</u>	<u>-</u>
Business-type activities:				
Water and sewer	607,083	615,369	-	-
Total business-type activities	<u>607,083</u>	<u>615,369</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,047,927</u>	<u>\$ 636,091</u>	<u>\$ 26,256</u>	<u>\$ -</u>

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

TOWN OF CANDOR, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2021

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ (253,537)	\$ -	\$ (253,537)
Public safety	(966,607)	-	(966,607)
Transportation	(82,531)	-	(82,531)
Environmental protection	(60,047)	-	(60,047)
Cultural and recreational	(30,517)	-	(30,517)
Interest on long-term debt	(627)	-	(627)
Total governmental activities	<u>(1,393,866)</u>	<u>-</u>	<u>(1,393,866)</u>
Business-type activities:			
Water and sewer	-	8,286	8,286
Total business-type activities	<u>-</u>	<u>8,286</u>	<u>8,286</u>
Total primary government	<u>(1,393,866)</u>	<u>8,286</u>	<u>(1,385,580)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	559,341	-	559,341
Grants and contributions not restricted to specific programs	400,462	-	400,462
Unrestricted investment earnings	227	33	260
Miscellaneous	86,566	-	86,566
Total general revenues excluding transfers	<u>1,046,596</u>	<u>33</u>	<u>1,046,629</u>
Total general revenues and transfers	<u>1,046,596</u>	<u>33</u>	<u>1,046,629</u>
Change in net position	<u>(347,270)</u>	<u>8,319</u>	<u>(338,951)</u>
Net position, beginning	<u>1,315,056</u>	<u>3,108,558</u>	<u>4,423,614</u>
Net position - ending	<u>\$ 967,786</u>	<u>\$ 3,116,877</u>	<u>\$ 4,084,663</u>

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

TOWN OF CANDOR, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

	Major Governmental Funds		Total
	General Fund	New Fire Department	Governmental Funds
Assets			
Cash and cash equivalents	\$ 704,620	\$ 20,089	\$ 724,709
Restricted cash	118,700	-	118,700
Receivables:			
Taxes, net	17,214	-	17,214
Due (to)/from other funds	(4,356)	22,356	18,000
Due (to)/from other governments	81,641	-	81,641
Total assets	<u>\$ 917,819</u>	<u>\$ 42,445</u>	<u>\$ 960,264</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 38,766	\$ -	\$ 38,766
Total liabilities	<u>38,766</u>	<u>-</u>	<u>38,766</u>
Deferred Inflows of Resources			
Property taxes receivable	17,214	-	17,214
Total deferred inflows of resources	<u>17,214</u>	<u>-</u>	<u>17,214</u>
Fund Balances			
Restricted for:			
Stabilization by state statute	77,285	-	77,285
Streets	118,700	-	118,700
Unassigned	665,854	42,445	708,299
Total fund balances	<u>861,839</u>	<u>42,445</u>	<u>904,284</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 917,819</u>	<u>\$ 42,445</u>	<u>\$ 960,264</u>

Balance Sheet

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)

are different because:

Total Fund Balance, Governmental Funds		\$ 904,284
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	2,298,545	
Accumulated depreciation	<u>(1,371,646)</u>	926,899
Note receivable		12,038
Deferred outflows of resources related to pensions are not reported in the funds		144,856
Deferred outflows of resources related to OPEB are not reported in the funds		17,919
Earned revenues considered deferred inflows of resources in funds statements		17,214
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds -		
Gross long-term debt	(519,794)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	11,254	
Net pension obligation	(163,992)	
Total pension liability	(68,952)	
OPEB liability	<u>(117,754)</u>	(859,238)
Deferred inflows of resources related to pensions are not reported in the funds		(58,331)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(137,855)</u>
Net position of governmental activities		<u>\$ 967,786</u>

TOWN OF CANDOR, NORTH CAROLINA

Exhibit 5

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

	Major Governmental Funds		Total
	General Fund	New Fire Department	Governmental Funds
Revenues			
Ad valorem taxes	\$ 560,351	\$ -	\$ 560,351
Unrestricted intergovernmental	378,106	22,356	400,462
Restricted intergovernmental	26,256	-	26,256
Sales and services	20,722	-	20,722
Investment earnings	227	-	227
Miscellaneous	92,020	-	92,020
Total revenues	<u>1,077,682</u>	<u>22,356</u>	<u>1,100,038</u>
Expenditures			
Current:			
General government	231,817	-	231,817
Public safety	454,432	530,016	984,448
Transportation - streets	93,471	-	93,471
Environmental protection	79,437	-	79,437
Cultural and recreational	26,860	-	26,860
Debt service:			
Principal retirement	54,086	-	54,086
Interest and other charges	627	-	627
Total expenditures	<u>940,730</u>	<u>530,016</u>	<u>1,470,746</u>
Revenues over (under) expenditures	<u>136,952</u>	<u>(507,660)</u>	<u>(370,708)</u>
Other Financing Sources			
Proceeds from issuance of debt	<u>33,078</u>	<u>-</u>	<u>33,078</u>
Total other financing sources	<u>33,078</u>	<u>-</u>	<u>33,078</u>
Net change in fund balances	<u>170,030</u>	<u>(507,660)</u>	<u>(337,630)</u>
Fund balances, beginning	<u>691,809</u>	<u>550,105</u>	<u>1,241,914</u>
Fund balances, ending	<u>\$ 861,839</u>	<u>\$ 42,445</u>	<u>\$ 904,284</u>

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

TOWN OF CANDOR, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ (337,630)
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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	55,078	
Depreciation expense for governmental assets	<u>(50,302)</u>	4,776

Payments on note receivable recognized as revenue	(5,454)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	56,204
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(1,010)

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.

New debt issued	(33,078)
Principal payments on long-term debt	54,086

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.

Pension expense	(78,045)	
OPEB plan expense	2,635	
Compensated absences	<u>(9,754)</u>	<u>(85,164)</u>

Total changes in net position of governmental activities	<u><u>\$ (347,270)</u></u>
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TOWN OF CANDOR, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
Year Ended June 30, 2021

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 513,735	\$ 513,735	\$ 560,351	\$ 46,616
Unrestricted intergovernmental	326,868	291,868	378,106	86,238
Restricted intergovernmental	29,500	29,500	26,256	(3,244)
Sales and services	23,140	19,960	20,722	762
Investment earnings	7,500	7,500	227	(7,273)
Miscellaneous	138,923	142,212	92,020	(50,192)
Total revenues	<u>1,039,666</u>	<u>1,004,775</u>	<u>1,077,682</u>	<u>72,907</u>
Expenditures				
Current:				
General government	352,727	304,836	231,817	73,019
Public safety	476,981	404,685	454,432	(49,747)
Transportation - streets	117,146	113,970	93,471	20,499
Environmental protection	86,930	86,930	79,437	7,493
Cultural and recreational	55,753	55,753	26,860	28,893
Debt service:				
Principal, interest and other charges	29,129	80,101	54,713	25,388
Total expenditures	<u>1,118,666</u>	<u>1,046,275</u>	<u>940,730</u>	<u>105,545</u>
Revenues over (under) expenditures	<u>(79,000)</u>	<u>(41,500)</u>	<u>136,952</u>	<u>178,452</u>
Other Financing Sources				
Installment purchase obligations issued	-	-	33,078	33,078
Total other financing sources	<u>-</u>	<u>-</u>	<u>33,078</u>	<u>33,078</u>
Fund balance appropriated	<u>79,000</u>	<u>41,500</u>	<u>-</u>	<u>(41,500)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>170,030</u>	<u>\$ 170,030</u>
Fund balances, beginning			<u>691,809</u>	
Fund balances, ending			<u>\$ 861,839</u>	

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

TOWN OF CANDOR, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

Exhibit 8

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Assets		
Current assets:		
Cash and equivalents	\$ 435,524	\$ 435,524
Account receivables, net	53,977	53,977
Due (to)/from other fund	(18,000)	(18,000)
Restricted cash and cash equivalents	2,389	2,389
Total current assets	<u>473,890</u>	<u>473,890</u>
Capital assets:		
Land and other non-depreciable assets	1,358,661	1,358,661
Other capital assets, net of depreciation	<u>1,676,630</u>	<u>1,676,630</u>
Total noncurrent assets	<u>3,035,291</u>	<u>3,035,291</u>
Total assets	<u>3,509,181</u>	<u>3,509,181</u>
Deferred Outflows of Resources		
Pension deferrals	30,758	30,758
OPEB deferrals	<u>5,353</u>	<u>5,353</u>
Total deferred outflows of resources	<u>36,111</u>	<u>36,111</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	48,365	48,365
Compensated absences - current	1,000	1,000
Installment purchases - current	32,152	32,152
Liabilities payable from restricted assets:		
Customer deposits	<u>2,389</u>	<u>2,389</u>
Total current liabilities	<u>83,906</u>	<u>83,906</u>
Noncurrent liabilities:		
Net pension liability	48,984	48,984
Total OPEB liability	35,173	35,173
Compensated absences - noncurrent	12,426	12,426
Installment purchases - noncurrent	<u>204,035</u>	<u>204,035</u>
Total noncurrent liabilities	<u>300,618</u>	<u>300,618</u>
Total liabilities	<u>384,524</u>	<u>384,524</u>
Deferred Inflows of Resources		
Pension deferrals	2,714	2,714
OPEB deferrals	<u>41,177</u>	<u>41,177</u>
Total deferred inflows of resources	<u>43,891</u>	<u>43,891</u>
Net Position		
Net investment in capital assets	2,799,104	2,799,104
Unrestricted	<u>317,773</u>	<u>317,773</u>
Total net position	<u>\$ 3,116,877</u>	<u>\$ 3,116,877</u>

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

TOWN OF CANDOR, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2021

Exhibit 9

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Operating revenues:		
Charges for services	\$ 609,394	\$ 609,394
Other operating revenues	5,975	5,975
Total operating revenues	<u>615,369</u>	<u>615,369</u>
Operating expenses:		
Water and treatment and distribution	284,818	284,818
Wastewater collection and treatment	191,238	191,238
Depreciation	103,855	103,855
Total operating expenses	<u>579,911</u>	<u>579,911</u>
Operating income	<u>35,458</u>	<u>35,458</u>
Non-operating revenues (expenses):		
Investment earnings	33	33
Interest expense	(27,172)	(27,172)
Total non-operating revenues (expenses)	<u>(27,139)</u>	<u>(27,139)</u>
Net income before contributions and transfers	<u>8,319</u>	<u>8,319</u>
Change in net position	8,319	8,319
Total net position, beginning	<u>3,108,558</u>	<u>3,108,558</u>
Total net position, ending	<u>\$ 3,116,877</u>	<u>\$ 3,116,877</u>

TOWN OF CANDOR, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2021

Exhibit 10

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Cash flows from operating activities:		
Cash received from customers	\$ 605,440	\$ 605,440
Cash paid for goods and services	(318,738)	(318,738)
Cash paid to or on behalf of employees for services	(132,565)	(132,565)
Other operating revenues	5,975	5,975
Net cash provided by operating activities	<u>160,112</u>	<u>160,112</u>
Cash flows from noncapital financing activities		
Decrease in due from other funds	18,000	18,000
Net cash provided by noncapital financing activities	<u>18,000</u>	<u>18,000</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(169,022)	(169,022)
Principal paid on installment purchases	(23,240)	(23,240)
Interest paid on installment purchases	(27,172)	(27,172)
Net cash used in capital and related financing activities	<u>(219,434)</u>	<u>(219,434)</u>
Cash flows from investing activities:		
Interest and dividends	33	33
Net cash provided by investing activities	<u>33</u>	<u>33</u>
Net decrease in cash and cash equivalents	(41,289)	(41,289)
Balances, beginning, as previously reported	479,202	479,202
Balances, ending	<u>\$ 437,913</u>	<u>\$ 437,913</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 35,458	\$ 35,458
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	103,855	103,855
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(3,954)	(3,954)
Deferred outflows of resources - pensions	(657)	(657)
Deferred outflows of resources - OPEB	(5,353)	(5,353)
Increase (decrease) in:		
Accounts payable and accrued liabilities	23,777	23,777
Compensated absences	3,968	3,968
Net pension liability	(3,859)	(3,859)
Deferred inflows of resources - pensions	2,319	2,319
OPEB liability	9,893	9,893
Deferred inflows of resources - OPEB	(5,335)	(5,335)
Total adjustments	<u>124,654</u>	<u>124,654</u>
Net cash provided by operating activities	<u>\$ 160,112</u>	<u>\$ 160,112</u>
Cash reconciliation of statement of cash flows to statement of fund net position		
Cash and equivalents	\$ 435,524	
Restricted cash and cash equivalents	2,389	
Total cash and cash equivalents	<u>\$ 437,913</u>	

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

TOWN OF CANDOR, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2021

Exhibit 11

	<u>Fireman's Relief Fund</u>
Assets:	
Cash and cash equivalents	<u>\$ 66,600</u>
Liabilities:	
Intergovernmental payable	<u>\$ 66,600</u>

TOWN OF CANDOR, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Candor, North Carolina (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements include all funds and account groups that are controlled by the Town.

Basis of Presentation

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

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

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

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

TOWN OF CANDOR, NORTH CAROLINA

Notes to Financial Statements

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 required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

New Fire Department Capital Project Fund – This fund is used to account for the expenses associated with construction of the Town's new fire department.

The Town reports the following major enterprise fund:

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

The Town reports the following fund types:

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains a Fireman's Relief Fund for the assistance of firemen and their families.

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.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt 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 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 the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The budget ordinance must be adopted by July 1st of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. All budgets are prepared using the modified accrual basis of accounting. The appropriations in the various funds are formally budgeted on a departmental basis. Expenditures may not legally exceed appropriations at the functional level. The finance officer has authority to allocate the department totals to objects of expenditures within the department as necessary. The budget is amended by the Board of Commissioners on a periodic basis as required by changing conditions. The budget amounts reflected in the accompanying financial statements represent the budget as amended to statement date.

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

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by the 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.

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.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Restricted cash includes \$118,700 restricted for streets in the governmental fund and \$2,389 restricted for customer deposits in the water and sewer fund.

Ad Valorem Taxes Receivable

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

Allowance 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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000, and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	10-40 years
Furniture and office equipment	5-10 years
Plant and distribution systems	10-50 years
Vehicles	5-15 years

TOWN OF CANDOR, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element called deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as expense or expenditure until then. The Town has two items that meets this criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of net 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 – property taxes receivable, and pension and OPEB deferrals.

Long-Term Obligations

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

Compensated Absences

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

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

Net Position/Fund Balances

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

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund types classify fund balances as follows:

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

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

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

Assigned Fund Balance - portion of fund balance that Town of Candor, North Carolina intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The governing body approves the appropriation.

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

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined Benefit Cost-Sharing Plans

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

All units of local government and public authorities in North Carolina are required by North Carolina General Statute 159-34 to have their accounts audited annually and to submit the audit report to the Secretary of the Local Government Commission as soon as possible after the close of the fiscal year. For the fiscal year ended June 30, 2021, the audit was not completed until 2022. The delay was caused by turnover with an outside accounting firm hired to assist in completing the audit. Town officials are working with the current auditing firm to file their audits with the Secretary of the Local Government Commission as required by General Statute 159-34.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for public safety activities by \$49,747. The over-expenditure occurred because of unplanned operating expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

At June 30, 2021, the Town's deposits had a carrying amount of \$1,281,222 and a bank balance of \$1,332,042. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$100.

Investments

At June 30, 2021, the Town's investment balances consisted of NC Capital Management Trust – Government Portfolio of \$561,167. The NC Capital Management Trust – Government Portfolio had a valuation measurement method of fair value level 1 and a rating of AAAm.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk: The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits the Town's investment policy to maturities of less than 12 months.

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

Custodial Credit Risk: The Town has no formal policy on custodial credit risk in the event of the failure of the counterparty where the Town could not recover the value of its investment or collateral securities that are in the possession of an outside party. Management procedures require a utilization of a third-party custodial agent for book entry transactions, all of which shall be held in the Town's name to limit custodial credit risk.

Concentration of Credit Risk: The Town's Board places no limit on the amount that the Town may invest in any one issuer. More than 5% of the Town's investments are in the NC Capital Management Trust Governmental Portfolios.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Receivables

Governmental activities receivables for the General Fund consist of \$17,214 for outstanding taxes and \$81,641 due from other governments.

Business-Type activities receivables for the Water and Sewer Fund consist of \$53,977 for customer accounts.

The amounts presented in the Balance Sheet and the Statement of Net Position are net of allowances for doubtful accounts, if any.

Due from other governments consisted of the following:

	Governmental Activities
Vehicle tax	\$ 11,082
Utilities franchise tax	27,253
Sales tax reimbursement	43,306
	<u>\$ 81,641</u>

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of allowances for doubtful accounts in the amount of \$26,158 for taxes receivable.

Note Receivable

The Town has a note receivable that calls for monthly payments including interest of \$501 through July 2023. Principal repayments on the note are: 2022 \$5,661; 2023 \$5,877; 2024 \$500.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 169,250	\$ -	\$ -	\$ 169,250
Construction in progress	299,895	-	-	299,895
Total capital assets not being depreciated	<u>469,145</u>	<u>-</u>	<u>-</u>	<u>469,145</u>
Capital assets being depreciated:				
Buildings	953,525	-	-	953,525
Infrastructure	157,523	-	-	157,523
Equipment	196,215	-	-	196,215
Vehicles and motorized equipment	467,059	55,078	-	522,137
Total capital assets being depreciated	<u>1,774,322</u>	<u>55,078</u>	<u>-</u>	<u>1,829,400</u>
Less accumulated depreciation for:				
Buildings	727,574	11,256	-	738,830
Infrastructure	43,792	5,251	-	49,043
Equipment	154,672	7,994	-	162,666
Vehicles and motorized equipment	395,306	25,801	-	421,107
Total accumulated depreciation	<u>1,321,344</u>	<u>\$ 50,302</u>	<u>\$ -</u>	<u>1,371,646</u>
Total capital assets being depreciated, net	<u>452,978</u>			<u>457,754</u>
Governmental activity capital assets, net	<u>\$ 922,123</u>			<u>\$ 926,899</u>

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

General Government	\$ 7,027
Public Safety	26,253
Transportation	13,365
Cultural and Recreational	3,657
Total depreciation expense	<u>\$ 50,302</u>

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 142,162	\$ -	\$ -	\$ 142,162
Construction in process	1,075,719	140,780	-	1,216,499
Total capital assets not being depreciated	1,217,881	140,780	-	1,358,661
Capital assets being depreciated:				
Buildings	65,470	-	-	65,470
Plant and Distribution Systems	4,245,671	28,242	-	4,273,913
Furniture and maintenance equipment	253,799	-	-	253,799
Vehicles	60,863	-	-	60,863
Total capital assets being depreciated	4,625,803	28,242	-	4,654,045
Less accumulated depreciation for:				
Buildings	23,464	1,637	-	25,101
Plant and Distribution Systems	2,619,692	85,496	-	2,705,188
Furniture and maintenance equipment	183,353	10,583	-	193,936
Vehicles	47,051	6,139	-	53,190
Total accumulated depreciation	2,873,560	\$ 103,855	\$ -	2,977,415
Total capital assets being depreciated, net	1,752,243			1,676,630
Water and Sewer activity capital assets, net	2,970,124			3,035,291
Business-type activities capital assets, net	\$ 2,970,124			\$ 3,035,291

B. Liabilities

Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description: The Town of Candor 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 the State Superintendent, who serve as ex-officio members.

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Candor, North Carolina 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 Candor, North Carolina's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Candor, North Carolina were \$30,257 for the year ended June 30, 2021.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

At June 30, 2021, the Town reported a liability of \$212,976 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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. The Town's proportion was .006%, which was the same proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$16,012. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,895	\$ -
Changes of assumptions	15,850	-
Net differences between projected and actual earnings on pension plan investments	29,971	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,811	11,800
Town contributions subsequent to the measurement date	56,204	-
Total	<u>\$ 133,731</u>	<u>\$ 11,800</u>

\$56,204 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.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2022	\$ 18,686
2023	25,252
2024	12,918
2025	8,871
2026	-
Thereafter	-
Total	<u>\$ 65,727</u>

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

Inflation	3%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

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

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

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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%
	<u>100.0%</u>	

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

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

Sensitivity of the Town's proportionate share of the net pension asset 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%, 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%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability	\$ 432,105	\$ 212,976	\$ 30,864

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description: The Town of Candor 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. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions:

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Mortality rates are based on the following:

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using RP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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. No benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$68,952. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$3,659.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,975	\$ 46,920
Changes of assumptions	31,908	2,325
	<u>\$ 41,883</u>	<u>\$ 49,245</u>

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2022	\$ (547)
2023	(598)
2024	(1,242)
2025	(1,239)
2026	282
Thereafter	(4,018)
	<u>\$ (7,362)</u>

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%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.93%) or one percentage point higher (2.93%) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 76,814	\$ 68,952	\$ 61,716

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

Beginning balance	\$ 79,950
Service cost	3,686
Interest on the total pension liability	2,606
Differences between expected and actual experience in the measurement of the total pension liability	(48,449)
Changes of assumptions or other inputs	31,159
Ending balance of the total pension liability	<u>\$ 68,952</u>

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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, 2016 through December 31, 2018.

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 70,128	\$ 5,745	\$ 75,873
Pension liability	212,976	68,952	281,928
Proportionate share of the net pension liability	0.005%	n/a	
Deferred Outflow of Resources			
Differences between expected and actual experiences	26,895	9,975	36,870
Change in assumptions	15,850	31,908	47,758
Net difference between projected and actual earnings on plan investments	29,971	-	29,971
Changes in proportion and differences between contributions and proportionate share of contributions	4,811	-	4,811
Benefit payments and administrative costs paid subsequent to the measurement date	56,204	-	56,204
Deferred Inflow of Resources			
Differences between expected and actual experiences	-	46,920	46,920
Change in assumptions	-	2,325	2,325
Changes in proportion and differences between contributions and proportionate share of contributions	11,800	-	11,800

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 and other employees 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 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.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$7,227 from the Town.

Other Postretirement Benefits (OPEB)

Healthcare Benefits

Plan Description: Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the "HCB Plan").

Benefits Provided: This plan provides postemployment healthcare benefits to retirees of the Town, provided they worked 15 years for the Town and have 30 years of total service to governments within the State of North Carolina. The Town pays the full cost of coverage for these benefits from the time of retirement through age 65. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Retirees receive the same benefits as active employees. The Town may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2021:

Retirees receiving benefits	1
Retired plan member entitled to but not yet receiving benefits	-
Active plan members	10
	<u>11</u>

Total OPEB Liability

The Town's total OPEB liability of \$152,927 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.5%
Salary increases:	
General employees	3.5 to 7.75%, including inflation
Law enforcement officers	3.5 to 7.35%, including inflation
Discount rate	2.21%
Healthcare cost trend rates:	
Pre-medicare	7.00% for 2019 decreasing to ultimate rate of 4.50% by 2026

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

Changes in the Total OPEB Liability

Balance at July 1, 2020	\$ 109,913
Changes for the year	
Service cost	16,753
Interest	4,373
Changes in benefit terms	-
Differences between expected and actual experience	(425)
Changes in assumptions or other inputs	25,766
Benefit payments	(3,453)
Net changes	43,014
Balance at June 30, 2021	\$ 152,927

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

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

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

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

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 176,585	\$ 152,927	\$ 132,520

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 228,169	\$ 276,222	\$ 336,457

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$3,453. 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	\$ 98	\$ 158,433
Changes of assumptions	23,174	20,599
Total	<u>\$ 23,272</u>	<u>\$ 179,032</u>

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

<u>Year ended June 30:</u>	
2022	\$ (21,126)
2023	(21,126)
2024	(21,126)
2025	(21,126)
2026	(21,126)
Thereafter	(50,130)
	<u>\$ (155,760)</u>

Other Employment Benefit

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-saving 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. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in the current fiscal year	\$ 56,204
Differences between expected and actual experience	36,968
Changes of assumptions	70,932
Net difference between projected and actual	29,971
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,811
Total	<u>\$ 198,886</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 17,214
Differences between expected and actual experience	205,353	-
Changes in assumptions	22,924	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,800	-
Total	<u>\$ 240,077</u>	<u>\$ 17,214</u>

Risk Management

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

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

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 in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

Long-Term Obligations

Installment Purchase

The Town has two notes to purchase vehicles for public works, one note to purchase equipment, one note to purchase a sewer cleaning machine, and one note for improvements to a water pump station. The financing requires principal payments with interest rates of 4.00%, 4.00%, 3.66%, 5.60%, 4.49%, and 2.40%, respectively. Annual debt service payments as of June 30, 2021, including interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 46,954	\$ 12,610	\$ 22,255	\$ 10,845
2023	33,511	10,568	13,768	9,806
2024	22,500	9,308	14,399	9,175
2025	22,500	8,760	15,059	8,515
2026	22,500	8,213	15,749	7,824
Thereafter	315,000	57,486	154,957	33,629
Total	<u>\$ 462,965</u>	<u>\$ 106,945</u>	<u>\$ 236,187</u>	<u>\$ 79,794</u>

Change in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental Activities:					
Installment purchases	\$ 483,973	\$ 33,078	\$ 54,086	\$ 462,965	\$ 46,954
OPEB liability	84,633	33,121	-	117,754	-
Net pension liability - LEO	79,950	-	10,998	68,952	-
Net pension liability - LGERS	123,301	40,691	-	163,992	-
Compensated absences	35,821	9,754	-	45,575	3,000
Total governmental activities	<u>\$ 807,678</u>	<u>\$ 116,644</u>	<u>\$ 65,084</u>	<u>\$ 859,238</u>	<u>\$ 49,954</u>

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Business-Type Activities:					
Installment purchases	\$ 259,427	\$ -	\$ 23,240	\$ 236,187	\$ 32,152
OPEB liability	25,280	9,893	-	35,173	-
Net pension liability - LGERS	52,843	-	3,859	48,984	-
Compensated absences	9,458	3,968	-	13,426	1,000
Total business-type	<u>\$ 347,008</u>	<u>\$ 13,861</u>	<u>\$ 27,099</u>	<u>\$ 333,770</u>	<u>\$ 33,152</u>

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

NOTE 4 - 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	\$ 861,839
Less:	
Stabilization by State Statute	77,285
Streets	118,700
Appropriated fund balance in 2022 budget	115,939
Remaining fund balance	<u>\$ 549,915</u>

The Town of Candor is making strides with plans for improving the Fund Balance. These plans include but are not limited to the following:

- Manpower has been reduced due to efficiencies in our departments and the oversight of the department supervisors.
- The sale of real property owned by the Town is still in negotiation, which would have an immediate impact on fund balance with proceeds from the sale, but also, the industrial business relocating at the property will greatly enhance our tax base.
- One of the Town's smaller companies has been sold to a large manufacturer that is relocating operations and additional jobs to Candor.

TOWN OF CANDOR, NORTH CAROLINA
Notes to Financial Statements

NOTE 5 - JOINT VENTURE

The Town participates in a joint venture with Montgomery County and the four other towns in the County in the operating of the Montgomery Municipal Board of Alcoholic Beverage Control (the "Board"). The Board is composed of one board member appointed by each of the five towns in the County. The County does not appoint a board member. Both the Town and the County receive profit distributions from the Board as required by State Statute. The total amount received by the Town for the year ended June 30, 2021 was \$3,172.

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways.

The Town obtains an ongoing financial benefit from the Fund on-behalf-of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town reported no payments. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF CANDOR, NORTH CAROLINA

Town of Candor's Proportionate Share of Net Pension Liability (Asset)

Local Government Employees' Retirement System

Required Supplementary Information

Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Candor's proportionate of the net pension liability (asset) (%)	0.00596%	0.00645%	0.00543%	0.00447%	0.00461%	0.00570%	0.00550%	0.00550%
Town of Candor's proportionate of the net pension liability (asset) (\$)	\$ 212,976	\$ 176,144	\$ 128,818	\$ 68,289	\$ 97,840	\$ 25,581	\$ (32,436)	\$ 50,626
Town of Candor's covered-employee payroll	\$ 318,056	\$ 341,520	\$ 301,241	\$ 304,451	\$ 278,113	\$ 336,267	\$ 304,079	\$ 333,326
Town of Candor's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	66.96%	51.58%	42.76%	22.43%	35.18%	7.61%	-9.65%	16.65%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

TOWN OF CANDOR, NORTH CAROLINA
Town of Candor, North Carolina's Contributions
Local Government Employees' Retirement System
Required Supplementary Information
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	\$ 56,204	\$ 30,257	\$ 27,552	\$ 25,531	\$ 22,993	\$ 35,892	\$ 24,923	\$ 21,753
Contributions in relation to the contractually required contribution	<u>56,204</u>	<u>30,257</u>	<u>27,552</u>	<u>25,531</u>	<u>22,993</u>	<u>35,892</u>	<u>24,923</u>	<u>21,753</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Candor's covered-employee payroll	\$ 318,056	\$ 341,520	\$ 341,520	\$ 301,241	\$ 304,451	\$ 278,113	\$ 336,267	\$ 304,079
Contributions as a percentage of covered- employee payroll	17.67%	8.86%	8.07%	8.48%	7.55%	12.91%	7.41%	7.15%

TOWN OF CANDOR, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Changes in Total Pension Liability
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 79,950	\$ 56,113	\$ 61,626	\$ 50,843	\$ 47,026
Service cost	3,686	4,365	3,205	3,067	4,087
Interest on the total pension liability	2,606	2,043	1,947	1,963	1,679
Differences between expected and actual experience in the measurement of the total pension liability	(48,449)	13,909	(7,250)	(1,490)	-
Changes of assumptions or other inputs	31,159	3,520	(3,415)	7,243	(1,949)
Ending balance of the total pension liability	<u>\$ 68,952</u>	<u>\$ 79,950</u>	<u>\$ 56,113</u>	<u>\$ 61,626</u>	<u>\$ 50,843</u>

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

TOWN OF CANDOR, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 68,952	\$ 79,950	\$ 56,113	\$ 61,626	\$ 50,843
Covered payroll	153,791	151,635	105,705	110,754	124,678
Total pension liability as a percentage of covered payroll	44.83%	52.73%	53.08%	55.64%	40.78%

Notes to the Schedules:

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

TOWN OF CANDOR, NORTH CAROLINA
Other Post Employment Benefits
Required Supplementary Information
Schedule of Changes in OPEB Liability and Related Ratios
June 30, 2021

	2021	2020
Balance at July 1, 2020	<u>\$ 109,913</u>	<u>\$ 276,222</u>
Changes for the year		
Service cost	16,753	22,373
Interest	4,373	10,677
Differences between expected and actual experience	(425)	(195,659)
Changes in assumptions or other inputs	25,766	(175)
Benefit payments	<u>(3,453)</u>	<u>(3,525)</u>
Net changes	<u>43,014</u>	<u>(166,309)</u>
Balance at June 30, 2021	<u><u>\$ 152,927</u></u>	<u><u>\$ 109,913</u></u>
 Covered payroll	 296,408	 296,408
Total OPEB liability as a percentage of covered payroll	51.59%	37.08%

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

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF CANDOR, NORTH CAROLINA**Schedule 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****General Fund****(Page 1 of 4)****Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 516,482	
Penalties and interest		2,499	
Prior year's taxes		41,370	
Total	513,735	560,351	\$ 46,616
Intergovernmental revenues:			
Unrestricted:			
Local option sales tax		255,297	
Video franchise tax		2,184	
Utility franchise tax		97,850	
Sales tax refund		7,305	
Gas tax refund		3,027	
Beer and wine excise tax		3,646	
ABC profit distribution		3,172	
Telecommunications sales tax		5,625	
Total	291,868	378,106	86,238
Restricted:			
Powell Bill allocation		25,644	
Solid waste disposal tax		612	
Total	29,500	26,256	(3,244)
Sales and services:			
Sanitation fees	19,960	20,722	
Total	19,960	20,722	762
Investment earnings	7,500	227	(7,273)
Miscellaneous	142,212	92,020	(50,192)
Total Revenues	\$ 1,004,775	\$ 1,077,682	\$ 72,907

TOWN OF CANDOR, NORTH CAROLINA**Schedule 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****General Fund (Continued)****(Page 2 of 4)****Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		\$ 86,466	
Telephone and postage		1,880	
Departmental supplies		6,654	
Insurance and bonds		3,531	
Tax collection fees		10,438	
Other operating expenditures		12,178	
Contracted services		50,437	
Total		<u>171,584</u>	
Public buildings:			
Maintenance and repairs		43,257	
Utilities		13,445	
Insurance and bonds		3,531	
Capital outlay		-	
Total		<u>60,233</u>	
Total general government	<u>\$ 304,836</u>	<u>231,817</u>	<u>\$ 73,019</u>
Public safety:			
Police department:			
Salaries and employee benefits		237,398	
Maintenance and repairs		18,548	
Departmental supplies		3,083	
Insurance		3,531	
Capital outlay		33,078	
Other operating expenditures		71,218	
Total		<u>366,856</u>	
Fire:			
Salaries and employee benefits		4,065	
Maintenance and repairs		13,056	
Departmental supplies		5,153	
Grant expense		16,610	
Capital outlay		12,548	
Other operating expenditures		36,144	
Total		<u>87,576</u>	
Total public safety	<u>404,685</u>	<u>454,432</u>	<u>(49,747)</u>

TOWN OF CANDOR, NORTH CAROLINA**Schedule 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****General Fund (Continued)****(Page 3 of 4)****Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Transportation - streets:			
Salaries and employee benefits		\$ 23,546	
Maintenance and repairs		35,734	
Utilities		19,271	
Insurance		3,531	
Other operating expenditures		7,704	
Capital outlay		3,685	
Total transportation - streets	\$ 113,970	93,471	\$ 20,499
Environmental protection:			
Sanitation:			
Salaries and employee benefits		22,036	
Contracted services		57,401	
Total environmental protection	86,930	79,437	7,493
Cultural and recreational:			
Library:			
Other operating expenditures		11,565	
Total		11,565	
Parks and recreational:			
Other operating expenditures		4,179	
Total		4,179	
Cemetery:			
Other operating expenditures		2,118	
Total		2,118	
Marketplace:			
Utilities		1,064	
Other operating expenditures		3,652	
Total		4,716	
Farmers market:			
Utilities		750	
Other operating expenditures		3,532	
Total		4,282	

TOWN OF CANDOR, NORTH CAROLINA**Schedule 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****General Fund (Continued)****(Page 4 of 4)****Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Total cultural and recreational	<u>\$ 55,753</u>	<u>\$ 26,860</u>	<u>\$ 28,893</u>
Debt service:			
Principal retirement		54,086	
Interest and other charges		627	
Total debt service	<u>80,101</u>	<u>54,713</u>	<u>25,388</u>
Total Expenditures	<u>1,046,275</u>	<u>940,730</u>	<u>105,545</u>
Revenues Over (Under) Expenditures	<u>(41,500)</u>	<u>136,952</u>	<u>178,452</u>
Other Financing Sources:			
Installment purchase obligations issued	<u>-</u>	<u>33,078</u>	<u>33,078</u>
Total Other Financing Sources	<u>-</u>	<u>33,078</u>	<u>33,078</u>
Fund Balance Appropriated	<u>41,500</u>	<u>-</u>	<u>(41,500)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>170,030</u>	<u>\$ 170,030</u>
Fund Balance, Beginning		<u>691,809</u>	
Fund Balance, Ending		<u>\$ 861,839</u>	

TOWN OF CANDOR, NORTH CAROLINA

Schedule 2

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - New Fire Department
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:					
County grant funds	\$ 400,000	\$ 400,000	\$ -	\$ 400,000	\$ -
Total revenues	400,000	400,000	-	400,000	-
Expenditures:					
Construction	-	293,783	530,016	823,799	-
Other expenditures	-	6,112	-	6,112	-
Total expenditures	850,000	299,895	530,016	829,911	20,089
Revenue over (under) expenditures	(450,000)	100,105	(530,016)	(429,911)	(20,089)
Other financing sources:					
Proceeds from issuance of debt	-	450,000	-	450,000	-
Total other financing sources	450,000	450,000	-	450,000	-
Net change in fund balance	\$ -	\$ 550,105	(530,016)	\$ 20,089	\$ (20,089)
Fund balance, beginning			550,105		
Fund balance, ending			\$ 20,089		

TOWN OF CANDOR, NORTH CAROLINA
Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (Non-GAAP)
Water and Sewer Fund
Fiscal Year Ended June 30, 2021

Schedule 3
(Page 1 of 2)

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water and sewer		\$ 602,718	
Taps/connection fees		6,675	
Total operating revenues	\$ 622,000	609,393	\$ (12,607)
Non-operating revenues:			
Interest earned on investments		33	
Penalties and miscellaneous		5,976	
Total non-operating revenues	7,850	6,009	(1,841)
Total revenues	629,850	615,402	(14,448)
Expenditures:			
Water:			
Salaries and employee benefits		50,143	
Telephone and postage		1,363	
Water purchase		129,845	
Maintenance and supplies		31,044	
Insurance		3,531	
Contracted services		13,126	
Other operating expenditures		55,767	
Total	338,449	284,819	53,630
Sewer:			
Salaries and employee benefits		83,398	
Telephone and postage		1,129	
Maintenance and supplies		58,500	
Insurance		3,531	
Utilities		16,516	
Capital outlay		28,242	
Contracted services		3,231	
Other operating expenditures		24,912	
Total	260,912	219,459	41,453
Debt service:			
Interest		26,216	
Principal retirement		23,240	
Total	50,489	49,456	1,033
Total expenditures	649,850	553,734	96,116

TOWN OF CANDOR, NORTH CAROLINA
Schedule of Revenues and Expenditures
and Changes in Fund Balances - Budget and Actual (Non-GAAP)
Water and Sewer Fund
Fiscal Year Ended June 30, 2021

Schedule 3
(Page 2 of 2)

	Budget	Actual	Variance Positive (Negative)
Revenues over/(under) expenditures	<u>\$ (20,000)</u>	<u>\$ 61,668</u>	<u>\$ 81,668</u>
Fund balance appropriated	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ 61,668</u></u>	<u><u>\$ 61,668</u></u>

Reconciliation from budgetary basis
(modified accrual) to full accrual basis:

Reconciling items:

Principal retirement	23,240
Capital outlay	28,242
Increase in deferred outflows of resources - pensions	657
Decrease in deferred inflows of resources - pensions	(2,319)
Decrease in net pension liability	3,859
Increase in deferred outflows of resources - OPEB	5,353
Increase in deferred inflows of resources - OPEB	5,335
Increase in OPEB liability	(9,893)
Change in compensated absences	(3,968)
Depreciation	(103,855)
Total reconciling items	<u>(53,349)</u>
Change in net position	<u><u>\$ 8,319</u></u>

TOWN OF CANDOR, NORTH CAROLINA

Schedule 4

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual (Non-GAAP) - Water and Sewer Capital Projects Fund - Water Pump Stations

From Inception and for the Fiscal Year Ended June 30, 2021

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
Revenues:					
FEMA grant	\$ 542,000	\$ 314,050	\$ -	\$ 314,050	\$ (227,950)
Other grant revenue	248,000	199,510	-	199,510	(48,490)
Total revenues	790,000	513,560	-	513,560	(276,440)
Expenditures:					
Construction		1,011,494	140,779	1,152,273	
Engineering		36,044	-	36,044	
Interest		19,644	-	19,644	
Other expenditures		8,537	-	8,537	
Total expenditures	1,140,000	1,075,719	140,779	1,216,498	76,498
Revenue under expenditures	(350,000)	(562,159)	(140,779)	(702,938)	(352,938)
Other financing sources:					
Proceeds from issuance of debt	350,000	254,912	-	254,912	(95,088)
Transfer in from water & sewer fund	-	32,567	-	32,567	32,567
Principal payments on debt	-	(21,122)	-	(21,122)	(21,122)
Total other financing sources	350,000	266,357	-	266,357	(83,643)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (295,802)	\$ (140,779)	\$ (436,581)	\$ (436,581)

TOWN OF CANDOR, NORTH CAROLINA
Schedule of Changes in Assets and Liabilities
Fireman's Relief Fund
Fiscal Year Ended June 30, 2021

Schedule 5

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Assets				
Cash and cash equivalents	<u>\$ 64,664</u>	<u>\$ 1,936</u>	<u>\$ -</u>	<u>\$ 66,600</u>
 Liabilities				
Intergovernmental payable	<u>\$ 64,664</u>	<u>\$ 1,936</u>	<u>\$ -</u>	<u>\$ 66,600</u>

TOWN OF CANDOR, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
Last Ten Years

Schedule 6

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and other credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 560,422	551,818	\$ 8,604
2019-2020	9,791	-	4,953	4,838
2018-2019	4,866	-	1,093	3,773
2017-2018	3,568	-	241	3,327
2016-2017	7,290	-	10	7,280
2015-2016	6,836	-	297	6,539
2014-2015	5,424	-	-	5,424
2013-2014	1,518	-	-	1,518
2012-2013	1,110	-	-	1,110
2011-2012	959	-	-	959
2010-2011	817	-	817	-
	<u>\$ 42,179</u>	<u>\$ 560,422</u>	<u>\$ 559,229</u>	<u>43,372</u>

Uncollected 2013-2014 Ad Valorem taxes receivable on annually
Registered vehicles

-

Less: allowance for uncollectible Ad Valorem taxes receivable
Net Ad Valorem taxes receivable

26,158

\$ 17,214

Reconcilement with revenues:

Ad Valorem taxes - General fund

\$ 560,351

Reconciling items:

Other

(1,122)

Total collections and credits

\$ 559,229

TOWN OF CANDOR, NORTH CAROLINA
Analysis of Current Tax Levy and Town-Wide Levy
Fiscal Year Ended June 30, 2021

Schedule 7

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$79,911,100	0.65	\$559,152	\$519,422	\$ 39,730
Penalties	-		1,173	1,173	-
Total original levy	79,911,100		560,325	520,595	39,730
Discoveries - current and prior years	15,000	0.65	97	97	-
Total property valuation	<u>\$79,926,100</u>				
Net Levy			560,422	520,692	39,730
Unpaid (by taxpayer) taxes at June 30, 2021			8,604	8,604	-
Current year's taxes collected			<u>\$551,818</u>	<u>\$512,088</u>	<u>\$ 39,730</u>
Current levy collection percentage			<u>98.46%</u>	<u>98.35%</u>	<u>100.00%</u>



Bernard Robinson & Company, L.L.P.

October 11, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Candor, North Carolina for the year June 30, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Candor, North Carolina (the “Town”) are described in Note 1 to the financial statements. There were no changes or adoptions to the existing accounting policies during the fiscal year ended June 30, 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town’s financial statements were:

- Management’s estimate of the Law Enforcement Officers Special Separation Allowance and other postemployment benefits for Healthcare Benefits liabilities
- Management’s estimate of allowance for uncollectible accounts receivable
- Management’s estimate of the useful lives of capital assets

We evaluated the key factors and assumptions used to develop the Town’s estimates regarding these items in determining that they were reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 11, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Town Council and management of the Town of Candor, North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bernard Robinson & Company, L.L.P.

BERNARD ROBINSON & COMPANY, L.L.P.

TOWN OF CANDOR, NORTH CAROLINA

Uncorrected Financial Statement Misstatements

Year Ended June 30 , 2021

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
BRCCAPLEASEASSET	Capital Lease Asset	\$ 5,790.40	
BRCCAPLEASE	Capital Lease		\$ 1,593.02
BRCCURRCAPLEASE	Current Portion of Capital Lease		3,666.54
10-420-16	Repairs To Equipment		3,880.44
BRC40-250	Depreciation Expense GF	3,349.60	