

**REVIEWED**

*By SLGFD at 11:04 am, Sep 19, 2022*

# **TOWN OF CANTON, NORTH CAROLINA**



## **FINANCIAL STATEMENTS**

**June 30, 2021**

**(With Independent Auditor's Report Thereon)**

**TOWN OF CANTON**

**Canton, North Carolina**

**Mayor and Board of Aldermen/Alderwomen**

Zeb Smathers

Mayor

Gail Mull

Mayor Pro-Tem

Kristina Smith

Alderwoman

Dr. Ralph Hamlett

Alderman

Tim Shepard

Alderman

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## Independent Auditor's Report

To the Honorable Mayor  
and Members of the Board of Aldermen  
Canton North Carolina

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Town of Canton ABC Board, which represent 4.3 percent, 3.6 percent, and 22.3 percent, respectively, of the assets, net position, and revenues of the Town of Canton. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Town of Canton ABC Board, is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Town of Canton ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

### ***Opinions***

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Canton, 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 Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 54 through 55, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and as a Percentage of Covered Payroll on pages 56 through 57, and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

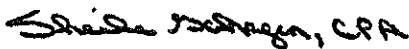
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Canton, North Carolina. The introductory information, combining and individual fund financial statements, budgetary schedules, and other schedules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

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

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, I do not express an opinion or provide assurance on them

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 13, 2022 on my consideration of Town of Canton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Canton's internal control over financial reporting and compliance.

  
Sheila Gahagan, CPA  
September 13, 2022

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **Town of Canton, North Carolina Management's Discussion and Analysis**

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

### **Financial Highlights**

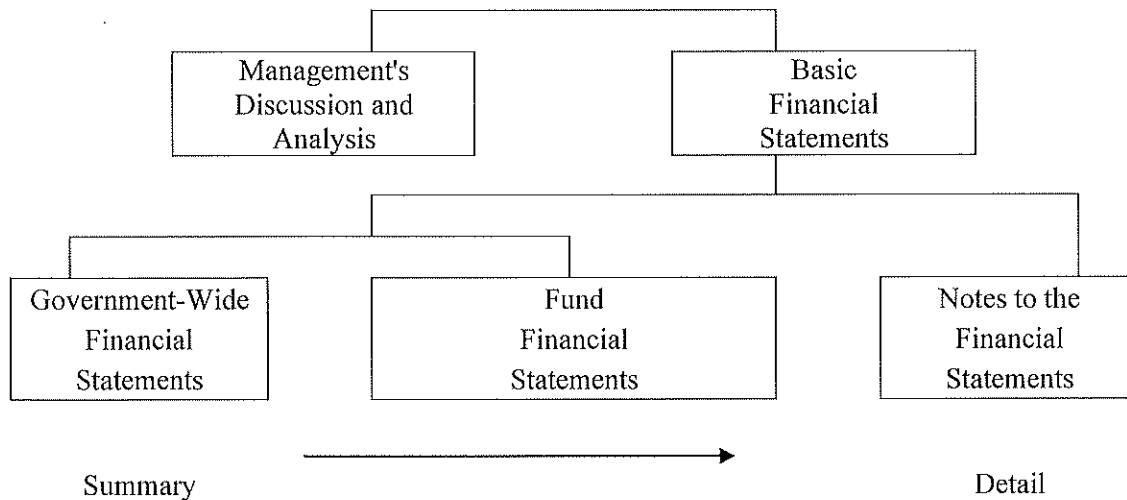
- The assets and deferred outflows of resources of the Town of Canton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,231,722 (*net position*).
- The Town of Canton's total net position increased by \$660,023 mainly due to water and sewer fees exceeding expenditures.
- As of the close of the current fiscal year, the Town of Canton's governmental funds reported combined ending fund balances of \$4,050,804, an increase of \$481,997 in comparison with the prior year. Approximately 31% of this total amount, or \$1,257,266 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,793,538.
- The Town of Canton's total debt increased by \$3,718,160 or 24% during the current fiscal year due to an increase in OPEB, pension liabilities and receiving the final loan proceeds for the Spruce Street water project.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Statements

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 four 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 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.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred

outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the Town's basic services such as public safety, parks, sanitation, and general administration. Property taxes and state and federal funding finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer offered by the Town of Canton.

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

**Fund Financial Statements** - The fund financial statements 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 Canton, 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 Canton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Canton's progress in funding its obligation to provide pension benefits to its employees.

## Government-Wide Financial Analysis

Town of Canton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,301,642	\$ 3,907,834	\$ 4,845,999	\$ 3,510,434	\$ 9,147,641	\$ 7,418,268
Capital assets	11,071,152	10,863,086	11,703,420	11,834,081	22,774,572	22,697,167
Deferred outflow	2,883,222	1,257,023	602,794	274,878	3,486,016	1,531,901
Total assets and deferred outflows of resources	18,256,016	16,027,943	17,152,213	15,619,393	35,408,229	31,647,336
Current liabilities	387,315	468,523	412,539	363,326	799,854	831,849
Long-term liabilities outstanding	13,326,443	10,728,193	5,085,957	4,017,659	18,412,400	14,745,852
Deferred inflows of resources	1,614,950	2,002,526	349,303	495,410	1,964,253	2,497,936
Total liabilities and deferred inflows of resources	15,328,708	13,199,242	5,847,799	4,876,395	21,176,507	18,075,637
Net Position						
Net investment in capital assets	10,227,173	9,851,279	8,940,979	9,849,720	19,168,152	19,700,999
Restricted	993,066	903,444	-	-	993,066	903,444
Unrestricted	(8,292,931)	( 7,926,022)	2,363,435	893,278	(5,929,496)	(7,032,744)
Total net position	\$ 2,927,308	\$ 2,828,701	\$11,304,414	\$10,742,998	\$ 14,231,722	\$ 13,571,699

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Canton exceeded liabilities and deferred inflows by \$14,231,722 as of June 30, 2021. The Town's net position increased by \$660,023 for the fiscal year ended June 30, 2021. However, a large portion \$19,168,152 (135%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Canton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Canton's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$993,066 (7%) represents resources that are subject to external restrictions on how they may be used. The unrestricted balance is negative (\$5,929,496) (-42%).

**Town of Canton's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 639,297	\$ 568,981	\$ 2,577,789	\$ 2,425,181	\$ 3,217,086	\$ 2,994,162
Operating grants and contributions	409,698	163,240	-	27,449	409,698	190,689
Capital grants and contributions	153,983	-	-	-	153,983	-
General revenues:						
Property taxes	3,188,444	3,095,353	-	-	3,188,444	3,095,353
Other taxes and licenses	3,403	2,751	-	-	3,403	2,751
Grants and contributions not restricted	2,453,669	2,247,634	-	-	2,453,669	2,247,634
Investment earnings	5,130	41,473	11,246	45,790	16,376	87,263
Other	55,211	155,748	7,034	5,470	62,245	161,218
Total revenues	6,908,835	6,275,180	2,596,069	2,503,890	9,504,904	8,779,070
Expenses:						
General government	1,110,354	1,145,992	-	-	1,110,354	1,145,992
Public safety	3,117,234	2,672,186	-	-	3,117,234	2,672,186
Public works	1,705,126	1,441,316	-	-	1,705,126	1,441,316
Environmental Protection	241,898	261,211	-	-	241,898	261,211
Cultural and recreation	605,415	590,232	-	-	605,415	590,232
Interest expense	30,201	33,377	-	-	30,201	33,377
Water and sewer	-	-	2,034,653	2,083,957	2,034,653	2,083,957
Total expenses	6,810,228	6,144,314	2,034,653	2,083,957	8,844,881	8,228,271
Change in net position before transfers	98,607	130,866	561,416	419,933	660,023	550,799
Net position, July 1	2,828,701	2,697,835	10,742,998	10,323,065	13,571,699	13,020,900
Net position, June 30	\$ 2,927,308	\$ 2,828,701	\$ 11,304,414	\$ 10,742,998	\$ 14,231,722	\$ 13,571,699

**Governmental activities.** Governmental activities increased the Town's net position by \$98,607 thereby accounting for 15% of the total growth in the net position of the Town of Canton.

**Business-type activities:** Business-type activities increased the Town of Canton's net position by \$561,416 accounting for 85% of the total growth in the government's net position.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Canton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,793,538, while total fund balance was \$4,050,804. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The Town currently has unassigned fund balance of 43% of general fund expenditures, while total fund balance represents 63% of that same amount.

At June 30, 2021, the general fund reported a combined fund balance of \$4,050,804, a 14% increase from prior years' balance.

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

**Proprietary Funds.** The Town of Canton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,363,435. The total increase in net position for the Water and Sewer Fund was \$561,416. The Water and Sewer Fund increase was due to charges for services increasing slightly while expenditures decreased.

## Capital Asset and Debt Administration

**Capital assets.** The Town of Canton's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$22,774,572 (net of accumulated depreciation). These assets include construction in progress, buildings, roads, land, machinery and equipment, park facilities, and vehicles.

The major capital asset additions were related to capital leases for new equipment, the dog park, the boat launch ramp project and construction in progress for Chestnut Mountain. The significant disposals were related to land and motorized equipment.

**Town of Canton's Changes in Capital Assets**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,411,692	\$ 4,180,454	\$ 220,279	\$ 220,279	\$ 4,631,971	\$ 4,400,733
Buildings & systems	5,064,155	5,254,658	11,258,095	11,497,621	16,322,250	16,752,279
Machinery & Equipment	519,833	551,509	-	-	519,833	551,509
Vehicles & motorized equipment	629,664	720,209	184,953	102,156	814,617	822,365
Construction in progress	445,808	156,256	40,093	14,025	485,901	170,281
	<u>\$11,071,152</u>	<u>\$10,863,086</u>	<u>\$11,703,420</u>	<u>\$11,834,081</u>	<u>\$ 22,774,572</u>	<u>\$ 22,697,167</u>

Additional information on the Town's capital assets can be found in the Notes to the Basic Financial Statements.

**Long-term Liabilities.** As of June 30, 2021, the Town of Canton had no bonded debt outstanding. The Town's long-term debt consists of capital leases and direct borrowings.

**Town of Canton's Outstanding Debt**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct borrowings	\$ 818,519	\$ 1,009,692	\$ 2,677,123	\$ 1,984,361	\$ 3,495,642	\$ 2,994,053
OPEB liability	10,789,822	8,310,527	2,368,498	2,077,632	13,158,320	10,388,159
Net pension obligation	1,119,340	936,723	245,709	205,622	1,365,049	1,142,345
Total pension liability (LEO)	463,326	358,026	-	-	463,326	358,026
Capital lease	25,460	2,115	85,318	-	110,778	2,115
Compensated absences	312,436	304,398	65,767	64,062	378,203	368,460
	<u>\$ 13,528,903</u>	<u>\$ 10,921,481</u>	<u>\$ 5,442,415</u>	<u>\$ 4,331,677</u>	<u>\$ 18,971,318</u>	<u>\$ 15,253,158</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Canton is \$24,921,508.

Additional information regarding the Town of Canton's long-term debt can be found in the Notes to the Basic Financial Statements.

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the stability of the Town of Canton:

- Population growth
- New businesses
- Ad valorem tax growth
- Property values
- Home sales

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

Governmental Activities:

- The proposed tax rate for the Town of Canton was decreased from \$0.58 to \$0.54 per \$100 of valuation. The lowering of this rate was implemented to account for the increase in property valuations done by Haywood County.
- The Town expects to see a continued increase in property valuations as a result of new commercial buildings and businesses within the town, which have made substantial improvements to buildings and property, as well as a steady level of growth in residential sales and increased market price.
- For the fiscal year 2021–2022, regarding salaries, the Board of Aldermen/women authorized a 3% cost of living increase with an additional 4% increase to law enforcement. The Town is matching up to 3% on 401K contributions as well which is the same as the last fiscal year. The Board and staff continue to work to remain competitive in the hiring and retention of employees.
- MedCost continues to provide coverage with health insurance. For FY 2021-2022, a small increase was implemented, but the choice remains fiscally responsible.
- The Board of Aldermen/women continued the promotion of economic development throughout our community by again including \$50,000 in the FY 2021-2022 budget for incentive/improvement grants. This program continues to be instrumental in assisting the town in redevelopment efforts as well as, draw potential investors from the Asheville/Buncombe County areas. During this fiscal year, multiple downtown businesses took advantage of this important program.

#### Business Activities:

- The Town did increase water and sewer rates for customers (inside and out) this fiscal year in an effort to maintain the level of service and invest in future infrastructure.

#### Other activities that are underway are as follows:

- Chestnut Mountain Nature Park is under construction, and we anticipate applying for two major grants to fund most of the park development. The work currently being done on the mountain reflects approximately \$300,000 generated by crowdfunding and smaller-scale grants.
- We have partnered with the Cruso Endowment to make aesthetic improvements to the downtown through decorative street signs, murals, and the development of Sorrell's Street Park.
- Improvements to our core infrastructure continue to be a priority to the Town. Based on this priority we will be undertaking significant improvements to our water treatment plant, water intake and general utility security.
- The Town will undergo a comprehensive planning process this year. The development of this document will help us shape and mold the future of Canton regarding infrastructure, development, zoning, transportation, economic development and beyond.
- The Town of Canton also continues to complete sidewalk redevelopment on Newfound, which will be completed in FY 2021-2022.

#### 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 Director of Finance, Town of Canton, PO Box 987, Canton, NC 28716.

## **BASIC FINANCIAL STATEMENTS**

**Town of Canton, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Town of Canton ABC Board</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,248,351	\$ 4,573,766	\$ 7,822,117	\$ 190,055
Accrued interest receivables on taxes	14,869	-	14,869	-
Taxes receivables (net)	46,836	-	46,836	-
Accounts receivable (net)	23,023	231,958	254,981	-
Due from other governments	613,088	33,940	647,028	1,127
Inventories	7,689	-	7,689	191,172
Prepaid expenses	-	-	-	9,903
Restricted cash and cash equivalents	347,786	6,335	354,121	-
Total current assets	<u>4,301,642</u>	<u>4,845,999</u>	<u>9,147,641</u>	<u>392,257</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in process	4,857,500	260,372	5,117,872	-
Other capital assets, net of depreciation	6,213,652	11,443,048	17,656,700	262,599
Total capital assets	<u>11,071,152</u>	<u>11,703,420</u>	<u>22,774,572</u>	<u>262,599</u>
Total assets	<u>15,372,794</u>	<u>16,549,419</u>	<u>31,922,213</u>	<u>654,856</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	867,364	160,289	1,027,653	43,804
OPEB deferrals	2,015,858	442,505	2,458,363	-
Total deferred outflows of resources	<u>2,883,222</u>	<u>602,794</u>	<u>3,486,016</u>	<u>43,804</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	154,923	34,599	189,522	140,927
Accrued interest payable	-	15,147	15,147	-
Payable from restricted assets	29,932	6,335	36,267	-
Current portion of long term debt	202,460	356,458	558,918	-
Total current liabilities	<u>387,315</u>	<u>412,539</u>	<u>799,854</u>	<u>140,927</u>
Long-term liabilities:				
Due in more than one year	641,519	2,450,500	3,092,019	-
Compensated absences payable	312,436	21,250	333,686	-
Net pension liability	1,119,340	245,709	1,365,049	50,028
Total pension liability	463,326	-	463,326	-
OPEB liability	10,789,822	2,368,498	13,158,320	-
Total liabilities	<u>13,713,758</u>	<u>5,498,496</u>	<u>19,212,254</u>	<u>190,955</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	61,521	9,246	70,767	-
Prepaid taxes	4,278	-	4,278	-
OPEB deferrals	1,549,151	340,057	1,889,208	-
Total deferred inflows of resources	<u>1,614,950</u>	<u>349,303</u>	<u>1,964,253</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,227,173	8,940,979	19,168,152	262,599
Restricted for:				
Stabilization by State Statue	636,111	-	636,111	-
Transportation	317,854	-	317,854	-
Public safety	39,101	-	39,101	-
ABC Board - working capital	-	-	-	62,739
Unrestricted	(8,292,931)	2,363,435	(5,929,496)	182,367
Total net position	<u>\$ 2,927,308</u>	<u>\$ 11,304,414</u>	<u>\$ 14,231,722</u>	<u>\$ 507,705</u>

See independent auditor's report and accompanying notes.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Canton ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,110,354	\$ 33,663	\$ 235,727	\$ 153,983	\$ (686,981)	\$ -	\$ (686,981)	\$ -
Public safety	3,117,234	211,167	45,962	-	(2,860,105)	-	(2,860,105)	-
Public Works	1,705,126	-	128,009	-	(1,577,117)	-	(1,577,117)	-
Environmental protection	241,898	275,128	-	-	33,230	-	33,230	-
Cultural and recreation	605,415	119,339	-	-	(486,076)	-	(486,076)	-
Interest on long-term debt	30,201	-	-	-	(30,201)	-	(30,201)	-
Total governmental activities	6,810,228	639,297	409,698	153,983	(5,607,250)	-	(5,607,250)	-
Business-type activities:								
Water and sewer	2,034,653	2,577,789	-	-	-	543,136	543,136	-
Total business-type activities	2,034,653	2,577,789	-	-	-	543,136	543,136	-
Total primary government	\$ 8,844,881	\$ 3,217,086	\$ 409,698	\$ 153,983	(5,607,250)	543,136	(5,064,114)	-
Component Units:								
Canton ABC Board	2,087,234	2,112,079	-	-	-	-	-	24,845
Total Component Unit	\$ 2,087,234	\$ 2,112,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,845
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,188,444	-	3,188,444	-
Other taxes and licenses					3,403	-	3,403	-
Grants and contributions not restricted to specific programs					2,453,669	-	2,453,669	-
Unrestricted investment earnings					5,130	11,246	16,376	-
Gain (loss) on sale of asset					500	-	500	-
Miscellaneous					54,711	7,034	61,745	-
Total general revenues and transfers					5,705,857	18,280	5,724,137	-
Change in net position					98,607	561,416	660,023	24,845
Net position-beginning					2,828,701	10,742,998	13,571,699	482,860
Net position-ending					\$ 2,927,308	\$ 11,304,414	\$ 14,231,722	\$ 507,705

See independent auditor's report and accompanying notes.

**Town of Canton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

**Exhibit 3**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,248,351
Restricted cash	347,786
Receivables, net:	
Taxes	61,705
Accounts	23,023
Due from other governments	613,088
Prepaid expenses	-
Inventories	7,689
Total assets	<u>\$ 4,301,642</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Accounts payable and accrued liabilities	\$ 47,637
Salaries payable	107,286
Customer prepayments	29,932
Total liabilities	<u>184,855</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes receivable	\$ 61,705
Prepaid taxes	4,278
Total deferred inflows of resources	<u>65,983</u>
Fund balances:	
Non Spendable	
Inventories	7,689
Restricted:	
Stabilization by State Statute	636,111
Public Safety	39,101
Transportation	317,854
Assigned: Subsequent year's expenditures	256,511
Unassigned	2,793,538
Total fund balances	<u>4,050,804</u>
Total liabilities, deferred inflow of resources and fund balances	<u><u>\$ 4,301,642</u></u>

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

Total Fund Balance, Governmental Funds	4,050,804
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,071,152
Deferred outflows of resources - pension and OPEB	2,883,222
Liabilities for earned but deferred tax revenues considered deferred inflows of resources in fund statements.	61,705
Deferred inflows of resources -pension and OPEB	(1,610,672)
Long term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	(13,528,903)
Net position of governmental activities	<u>2,927,308</u>

See independent auditor's report and accompanying notes.

**Town of Canton, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year ended June 30, 2021**

**Exhibit 4**

	<u><b>General Fund</b></u>
<b>REVENUES</b>	
Ad valorem taxes	\$ 3,183,665
Other taxes and licenses	3,403
Unrestricted intergovernmental	2,453,669
Restricted intergovernmental	339,968
Sales and services	639,297
Investment earnings	5,130
Miscellaneous	270,444
Total revenues	<u>6,895,576</u>
<b>EXPENDITURES</b>	
Current:	
General government	942,102
Public safety	2,547,490
Public works	1,504,540
Environmental protection	240,906
Culture and recreation	1,023,520
Debt service:	
Principal	200,750
Interest	30,201
Total expenditures	<u>6,489,509</u>
Excess (deficiency) of revenues over expenditures	406,067
<b>OTHER FINANCING SOURCES (USES)</b>	
Sale of capital assets	43,008
Proceeds from capital lease	32,922
Total other financing sources	<u>75,930</u>
Net change in fund balance	481,997
Fund balances-beginning of year	3,568,807
Fund balances-end of year	<u>\$ 4,050,804</u>

See independent auditor's report and accompanying notes.

**Town of Canton, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ 481,997
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 outlay exceeded depreciation in the current period.	240,585
Governmental funds report proceeds from the sale of capital assets as revenues. However, in the Statement of Activities the gain or loss from the sale is recorded as revenue. This is the amount by which the proceeds from the sale exceeded the gain from the sale.	(32,422)
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	1,684
Deferred outflows of resources related to OPEB and pensions are not reported in the funds	1,626,199
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	167,828
Deferred inflows of resources related to OPEB and pensions are not reported in the funds	387,986
Change in long-term debt included in net position below (includes the addition of long-term debt and principal payments during the year:	
Compensated absences	(8,038)
Net pension liability	473,397
Total pension liability	(761,314)
OPEB liability	(2,479,295)
Total changes in net position of governmental activities	<u>\$ 98,607</u>

See independent auditor's report and accompanying notes.

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes			\$ 3,183,665	
Other taxes and licenses			3,403	
Unrestricted intergovernmental			2,453,669	
Restricted intergovernmental			339,968	
Permits and fees			-	
Sales and services			639,297	
Investment earnings			5,130	
Miscellaneous			270,444	
Total revenues	<u>5,645,470</u>	<u>5,902,009</u>	<u>6,895,576</u>	<u>993,567</u>
Expenditures:				
Current:				
General government	1,117,390	982,075	942,102	39,973
Public safety	2,652,811	2,736,222	2,547,490	188,732
Public works	1,874,790	1,657,277	1,504,540	152,737
Environmental protection	-	247,500	240,906	6,594
Cultural and recreation	755,015	1,182,941	1,023,520	159,421
Debt service:				
Principal	81,695	75,996	200,750	(124,754)
Interest	29,545	35,774	30,201	5,573
Total expenditures	<u>6,511,246</u>	<u>6,917,785</u>	<u>6,489,509</u>	<u>428,276</u>
Revenues over expenditures	<u>(865,776)</u>	<u>(1,015,776)</u>	<u>406,067</u>	<u>1,421,843</u>
Other Financing Sources (uses)				
Sale of capital assets	-	-	43,008	
Capital lease proceeds			32,922	
Total other financing sources	<u>-</u>	<u>-</u>	<u>75,930</u>	<u>75,930</u>
Fund balance appropriated	<u>865,776</u>	<u>1,015,776</u>	<u>-</u>	<u>(1,015,776)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,997</u>	<u>\$ 481,997</u>
Fund balance, beginning			3,568,807	
Fund balances, end of year			<u>\$ 4,050,804</u>	

See independent auditor's report and accompanying notes.

## Exhibit 6

**Town of Canton, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,573,766
Accounts receivable (net) - billed	56,820
Accounts receivable (net) - unbilled	175,138
Due from other governments	33,940
Restricted cash and cash equivalents	6,335
Total current assets	<u>4,845,999</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	260,372
Other capital assets, net of depreciation	11,443,048
Capital assets (net)	<u>11,703,420</u>
Total noncurrent assets	<u>11,703,420</u>
Total assets	<u>16,549,419</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	160,289
OPEB deferrals	442,505
Total deferred outflows of resources	<u>602,794</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	11,158
Salaries payable	23,441
Accrued interest payable	15,147
Compensated absences - current	44,517
Installment purchase - current	311,941
Liabilities payable from restricted assets:	
Customer deposits	6,335
Total current liabilities	<u>412,539</u>
Noncurrent liabilities:	
Compensated absences	21,250
Installment purchase	2,450,500
Net pension liability	245,709
Total OPEB liability	2,368,498
Total noncurrent liabilities	<u>5,085,957</u>
Total liabilities	<u>5,498,496</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	9,246
OPEB deferrals	340,057
Total deferred inflows of resources	<u>349,303</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,940,979
Unrestricted	2,363,435
Total net position	<u>\$ 11,304,414</u>

See independent auditor's report and accompanying notes.

Exhibit 7

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

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,433,783
Tap and reconnection fees	86,150
Other operating revenues	57,856
<b>Total operating revenues</b>	<u>2,577,789</u>
<b>OPERATING EXPENSES</b>	
Administration	226,451
Treatment and distribution	1,352,725
Depreciation	394,592
<b>Total operating expenses</b>	<u>1,973,768</u>
<b>Operating income (loss)</b>	<u>604,021</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Sale of materials and equipment	7,034
Grant revenue	-
Investment earnings	11,246
Interest and other charges	(60,885)
<b>Total nonoperating revenue (expenses)</b>	<u>(42,605)</u>
<b>Income (loss) before contributions and transfers</b>	561,416
Capital contributions	<u>-</u>
<b>Change in net position</b>	561,416
Total net position - beginning	10,742,998
<b>Total net position - ending</b>	<u><u>\$ 11,304,414</u></u>

See independent auditor's report and accompanying notes.

Exhibit 8

**Town of Canton, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,535,798
Cash paid for goods and services	(673,238)
Cash paid to or on behalf of employees for services	(706,823)
Net cash provided by operations	<u>1,155,737</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Sale of assets	7,034
Acquisition and construction of capital assets	(150,174)
Loan proceeds	964,996
Principal paid on installment purchase	(300,673)
Interest paid on installment purchase	(60,885)
Net cash used by capital and related financing activities	<u>460,298</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	11,246
Purchase of investments	-
Net cash provided by investing activities	<u>11,246</u>
Net increase (decrease) in cash and cash equivalents	1,627,281
Balances-beginning of the year	2,952,820
Balances-end of the year	<u>\$ 4,580,101</u>

Reconciliation of operating income to net cash provided by

Operating income (loss)	\$ 604,021
Adjustments to reconcile operating income to net cash	
Depreciation	394,592
Changes in assets, deferred outflows of resources and liabilities:	
Decrease (Increase) in accounts receivable	(7,248)
Decrease (Increase) in due from other government	298,964
Decrease (Increase) in deferred outflows of resources	(327,916)
Increase (decrease) in deferred inflow of resources	(146,107)
Increase (Decrease) in accounts payable and accrued liabilities	7,593
Increase (Decrease) in pension liabilities	40,087
Increase (Decrease) in accrued interest payable	(820)
Increase (Decrease) in accrued compensated absences	1,705
Increase (Decrease) in other postemployment benefits	290,866
Total adjustments	<u>551,716</u>
Net cash provided by operating activities	<u>\$ 1,155,737</u>

See independent auditor's report and accompanying notes.

Exhibit 9

Town of Canton, North Carolina  
Statement of Fiduciary Net Position  
Employee Support Group Fund - Fiduciary Fund  
For the Year Ended June 30, 2021

	Agency Fund
Assets:	
Cash and Cash Equivalents	<u>\$        10,610</u>
Liabilities:	
Payable to Employees Support Group Committee	<u>\$        10,610</u>

See independent auditor's report and accompanying notes.

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Canton is a municipal corporation that is governed by an elected mayor and a four-member board of aldermen. As required by accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Town of Canton ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statue to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30-year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Canton ABC Board, 40 Main Street, Canton, NC 28786.

**B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds, including the 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.

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

The Town's Water and Sewer Fund has the following capital project funds:

**Spruce Street Area Water System Improvements Project** - This fund is used to account for improvements to the water system. This project was completed and the fixed assets from this project were transferred into the Water and Sewer Fund during the prior year. The final payment of loan proceeds were received during the current year and are shown to close the project.

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 hold on behalf of others. The Town maintains the Employee Support Group Fund, which accounts for monies held to be used for emergency situations of employees, with payments remitted upon approval by the Employee Support Group Committee.

#### C. Measurement Focus and Basis of Accounting

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

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are

recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expense 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 operating. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customer to the water and sewer system. Operating expense for enterprise funds includes the costs 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 materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales

taxes are considered a shared revenue for the Town because the tax is levied by Haywood County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement 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 and then by general revenues, if allowable by the terms of the grant.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for capital projects funds. The enterprise fund projects are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town's finance officer is authorized by the budget ordinance to transfer appropriations within a department. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2021, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term

Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

## 2. Cash and Cash Equivalents

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

## 3. Restricted Assets

Unexpended grant proceeds are classified as restricted assets because their use is restricted to the purpose for which the grants were awarded. Customer deposits and prepayments by customers held by the Town before any services are supplied are restricted to the service for which the deposit or monies was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

### Town of Canton Restricted Cash

#### Governmental Activities

General Fund	Streets	\$	317,854
	Cultural & recreational		12,350
	Public Works		17,582
Total Governmental Activities			<u>347,786</u>

#### Business-type Activities

Water and Sewer Fund	Customer Deposits	\$	6,335
Total Restricted Cash			<u>\$ 354,121</u>

## 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021.

## 5. Allowances for Doubtful Accounts

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

## 6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market.

The Town's General Fund inventory consists of gasoline and fuel supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 costs. No amounts have been recorded for general infrastructure assets acquired prior to July 1, 2003. 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. Infrastructure assets acquired subsequent to that date are recorded at 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:

Asset Class	Estimated Useful Lives
Buildings	40 -65
Plant and distribution system	50 - 65
Vehicles and motorized equipment	3 - 15
Equipment	6 - 10

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows: Building and improvements over ten to forty years, computers and other equipment over five to ten years.

## 8. Deferred outflows/inflows of resources

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

future period and so will not be recognized as revenue until then. The Town has several items that meets the criterion for this category – prepaid taxes, property taxes receivable and pension and OPEB deferrals.

#### 9. Long-Term Obligations

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

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

#### 10. Compensated Absences

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

If an employee retires from the Town of Canton with at least 30 years of service and meets the requirements for retirement under the State Retirement System, they are eligible for a one-time longevity payment to be paid with their final paycheck. Longevity pay at retirement is calculated considering actual time worked and compensated absences paid during a retiree's years of service with the Town and creditable service hours (using the definition of creditable service hours used by the NC Retirement System). Creditable service hours considered for longevity pay at retirement is limited to twenty percent of outstanding sick leave, or a maximum of 320 hours. The Town has recognized a liability based on the longevity accumulated at June 30, 2021, limited to the maximum amount allowed by the policy.

The ABC Board has adopted the policy that if employees do not use all their vacation leave before year end, they will be unable to carry over unused hours without Board approval. For the year ended June 30, 2021, no such approval was given; therefore, no accrual has been made.

#### 11. Net Position/Fund Balances

##### Net Position

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

##### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

**Restricted for Stabilization by State statute** – North Carolina G.S. 159-8 prohibits units of governments 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 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 Transportation (Streets) - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety (Police) – portion of fund balance that is restricted by revenue source for law enforcement use.

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

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

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

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

The Town of Canton does not have a formal revenue spending policy. However, it is management’s practice to use resources in the following hierarchy: federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are typically spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town of Canton has not adopted a minimum fund balance policy. However, the Town’s management monitors fund balance levels and strives to maintain fund balance at a level that is appropriate for its size.

#### Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employee’s 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 Canton’s employer contributions are recognized when due and the Town of Canton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

## **II. Stewardship, Compliance, and Accountability**

### **A. Significant Violations of Finance-Related Legal and Contractual Provisions**

#### **1. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for debt service by \$119,181. The expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations for debt service by \$27,616 and capital outlay by \$97,931. These over-expenditures occurred because the planned expenses were budgeted as other operating expenditures instead of debt service and capital outlay. Management and the Board will more closely review lease agreements and consider changing accounting standards to properly budget in future years.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits and Investments**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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 and the ABC Board have no formal policy regarding custodial credit risk for deposits, but they rely on the State Treasurer to enforce standards of minimum compliance 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$8,174,838 and a bank balance of \$8,270,155. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$8,020,155 was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,400. The bank balance includes \$4,620,534 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

At year end, the Canton ABC Board's deposits had a carrying amount of \$188,054 and a bank balance of \$330,103. All of the bank balance was covered by federal depository insurance. The store also had cash on hand at June 30, 2021 of \$2,001.

## 2. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes interest levied and outstanding in the amount of \$14,869. The accounts receivable amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 is net of the following allowances for doubtful accounts:

Fund	Allowance
General fund:	
Property taxes receivable	\$ 41,372
Water and sewer enterprise fund:	
Utility accounts receivable	<u>131,122</u>
Total	\$ 172,494

## 3. Capital Assets

Capital Asset Activity for the Primary Government for the year ended June 30, 2021 was as follows:

	Beginning Balances	Additions	Retirement	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 156,256	\$ 330,047	\$ 40,495	\$ 445,808
Land	<u>4,180,454</u>	<u>262,769</u>	<u>31,531</u>	<u>4,411,692</u>
Total capital assets not being depreciated	<u>4,336,710</u>	<u>592,816</u>	<u>72,026</u>	<u>4,857,500</u>
Capital assets being depreciated:				
Buildings	5,039,598	13,449	-	5,053,047
Infrastructure	2,660,317	-	-	2,660,317
Equipment	1,298,577	64,106	9,921	1,352,762
Vehicles and motorized equipment	<u>1,745,780</u>	<u>49,271</u>	<u>40,000</u>	<u>1,755,051</u>
Total capital assets being depreciated	<u>10,744,272</u>	<u>126,826</u>	<u>49,921</u>	<u>10,821,177</u>

Less accumulated depreciation for:				
Buildings	2,112,389	123,234	-	2,235,623
Infrastructure	332,868	80,718	-	413,586
Equipment	747,068	95,782	9,921	832,929
Vehicles and motorized equipment	1,025,571	139,816	40,000	1,125,387
Total accumulated depreciation	<u>4,217,896</u>	<u>439,550</u>	<u>49,921</u>	<u>4,607,525</u>
Total capital assets being depreciated, net	<u>6,526,376</u>			<u>6,213,652</u>
<b>Governmental activity capital assets, net</b>	<b>\$ <u>10,863,086</u></b>			<b>\$ <u>11,071,152</u></b>

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

General government	\$ 90,136
Public safety	149,316
Public Works	69,024
Environmental protection	-
Cultural and recreational	<u>131,074</u>
Total depreciation expense	<b>\$ 439,550</b>

	Beginning Balances	Additions	Retirements	Ending Balances
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 220,279	\$ -	\$ -	\$ 220,279
Construction in progress	<u>14,025</u>	<u>40,093</u>	<u>14,025</u>	<u>40,093</u>
Total capital assets not being depreciated	<u>234,304</u>	<u>40,093</u>	<u>14,025</u>	<u>260,372</u>
Capital assets being depreciated:				
Plant and distribution systems	16,406,878	124,105	-	16,530,983
Vehicles and motorized equipment	<u>286,473</u>	<u>113,758</u>	<u>-</u>	<u>400,231</u>
Total capital assets being depreciated	<u>16,693,351</u>	<u>237,863</u>	<u>-</u>	<u>16,931,214</u>
Less accumulated depreciation for:				
Plant and distribution systems	4,909,257	363,631	-	5,272,888
Vehicles and motorized equipment	<u>184,317</u>	<u>30,961</u>	<u>-</u>	<u>215,278</u>
Total accumulated depreciation	<u>5,093,574</u>	<u>394,592</u>	<u>-</u>	<u>5,488,166</u>
Capital assets being depreciated, net	<u>11,599,777</u>			<u>11,443,048</u>
<b>Business-type activities capital assets, net</b>	<b>\$ <u>11,834,081</u></b>			<b>\$ <u>11,703,420</u></b>

**Discretely Presented Component Unit:**

Capital Asset Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning Balances	Additions	Retirement	Ending Balances
Capital assets not being depreciated:				
Land	\$ 128,079	\$ -	\$ -	\$ 128,079
Total capital assets not being Depreciated	128,079	-	-	128,079
Capital assets being depreciated:				
Buildings	235,585	-	-	235,585
Furniture and equipment	73,849	10,707	-	84,556
Computers	38,956	-	-	38,956
Total capital assets being depreciated	348,390	10,707	-	359,097
Less accumulated depreciation for:				
Buildings	108,115	8,171	-	116,286
Furniture and equipment	67,086	3,694	-	70,781
Computers	37,076	435	-	37,510
Total accumulated depreciation	212,277	12,300	-	224,577
Capital assets being depreciated, net	136,113			134,520
<b>Business-type activities capital assets, net</b>	<b>\$ 264,192</b>			<b>\$ 262,599</b>

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

*Plan Description.* The Town of Canton and the Town of Canton ABC Board (ABC Board) are participating employers 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), firefighters and rescue squad workers of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement, disability 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 retirements benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). 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 workers who are killed in the line of duty) or have completed 5 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. This plan does not provide for automatic post-retirement benefits 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 North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town and ABC Board's employees are required to contribute 6% of their annual pay. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town and ABC Board's contractually required contribution rate for the year ended June 30, 2021, was 10.84 % of covered payroll for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$281,780 and \$16,410 for the ABC Board for the year ended June 30, 2021.

*Refunds of Contributions.* Town and ABC Board 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 retirement or survivor 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 and ABC Board reported a liability of \$1,365,049 and \$50,028 respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town and ABC Board's proportion of the net pension liability was based on a projection of the Town and ABC Board's long-term share of future payroll covered by the pension plan of participating LGERS employers, actuarially determined. At June 30, 2020 (the measurement date), the Town and ABC Board's proportion were .03820% and .00140% respectively, which was an increase of .363% for the Town and a decrease of .00009% for the ABC Board of the proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town and ABC Board recognized pension expense of \$679,028 and \$27,904. 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 expense	\$ 172,382	\$ -
Changes of assumptions	101,586	-
Net difference between projected and actual earnings on pension plan investments	192,094	-
Changes in proportion and differences between contributions and proportionate share of contributions	142,654	51,370
Town's contributions subsequent to the measurement date	281,780	-
Total	\$ 890,496	\$ 51,370

At June 30, 2021, the ABC Board 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 expense	\$ 6,318	\$ -
Changes of assumptions	3,723	-
Net difference between projected and actual earnings on pension plan investments	7,040	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,756	-
Town's contributions subsequent to the measurement date	19,967	-
Total	\$ 43,804	\$ -

\$281,780 and \$43,804 to the Town and ABC Board respectively reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>Town</b>	<b>ABC</b>
2022	185,905	8,483
2023	201,579	8,592
2024	113,011	4,678
2025	56,850	2,084
	<u>\$ 557,345</u>	<u>\$ 23,837</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

Future ad hoc cost of living adjustment (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 forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 Projection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 3.0%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.0%. This 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 statutory required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town and ABC Board's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Town and ABC Board'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%) or one percentage point higher (8%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.0%)</b>
Town's proportionate share of the net pension liability (asset)	2,769,535	1,365,049	197,822
	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.0%)</b>
ABC Boards's proportionate share of the net pension liability (asset)	101,501	50,028	7,250

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Canton administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to

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

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	12
Total	<u>13</u>

## 2. Summary of Significant Accounting Policies:

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

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

## 3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	1.93%
Projected salary increases	3.25 – 7.75%
Inflation	2.50%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

## 4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$21,733 as benefits came due for the reporting period.

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

At June 30, 2021 the Town reported a total pension liability of \$463,326. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021 the Town recognized pension expense of \$46,658.

	<b><u>Deferred Outflows</u></b>	<b><u>Deferred Inflows</u></b>
Differences between expected and actual experience	\$ 16,455	\$ 12,474
Changes of assumptions	103,399	6,923
Benefit payments and administrative expense subsequent to the measurement date	17,303	-
Total	<u>\$ 137,157</u>	<u>\$19,397</u>

\$17,303 paid as benefits came due subsequent to the measurement date have been reported as deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 19,387
2023	19,574
2024	18,118
2025	20,665
2026	16,320
Thereafter	6,392

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following represents 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 1-percentage-point lower (.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease <u>(.93%)</u>	Discount Rate <u>(1.93%)</u>	1% Increase <u>(2.93%)</u>
Total pension liability	\$499,254	\$463,326	\$430,381

The plan currently used mortality tables that vary by age and health status (disabled and healthy). The current mortality rates are based on published tables and 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 completed for LGERS for the five-year period ending December 31, 2014.

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

Beginning balance	\$358,026
Service cost	15,766
Interest	11,317
Change in benefit terms	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(8,744)
Changes in assumptions and other inputs	108,694
Benefit payments	(21,733)
Other changes	-
Ending balance of the total pension liability	<u>\$463,326</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	679,028	46,658	725,686
Pension Liability	1,365,049	463,326	1,828,375
Proportionate share of the net pension liability	.03820%	n/a	

<b>Deferred of Outflows of Resources</b>	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Differences between expected and actual experience	172,382	16,455	188,837
Change of Assumptions	101,586	103,399	204,985
Net difference between projected and actual earnings on plan investments	192,094	-	192,094
Changes in proportion and differences between contributions and proportionate share of contributions	142,654	-	142,654
Benefit payments and administrative cost paid subsequent to the measurement date	281,780	17,303	299,083

**Deferred in Inflows of Resources**

Differences between expected and actual experience	-	12,474	12,474
Change of assumptions	-	6,923	6,923
Net difference between projected and actual earnings on plan investments	-	-	-
Change in proportion and differences between contributions and proportionate share of contributions	51,370	-	51,370

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town contributed \$34,607. No amounts were forfeited.

The Town offers full and part time employees the ability to contribute to also contribute to the Plan, up to the annual statutory limits prescribed by the Internal Revenue Service (IRS). Employee contributions are voluntary and the Town can choose to match general employees 401(k) contributions if budgeted by the Board, up to annual statutory limits. However, the Town's match of 401(k) funds for general employees is not a guaranteed benefit since the Board can elect whether to match funds on an annual basis. During the year ended June 30, 2021, the Board budgeted and paid \$40,510 for 401(k) employer contributions for participating employees, based on a 3% match for employee contributions.

**d. Firemen's and Rescue Squad Worker's Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Canton, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible

fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Officer of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town is not required to participate but contributes \$30 per month per member to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended by the North Carolina General Assembly. For the fiscal year ending June 30, 2021 the State contributed \$18,302,000 to the plan. The Town considers their proportionate share of the State's contributions to be immaterial.

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

e. Other Post-Employment Benefit Obligations

Healthcare Benefits

*Plan Description:* The Town administers a single-employer defined benefit healthcare plan. The Town Board has the authority to establish and amend the benefits terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

*Benefits Provided:* An employee who began service prior to July 1, 2011 and retires according to the Town of Canton Employees' Retirement Plan (ERP) requirements, with at least 15 year permanent active Town employment will receive health care insurance, dental

insurance, and life insurance paid by the Town, for said employee for the remainder of his or her lifetime and for his or her spouse until spouse reaches age 70; and should an employee retire on disability with at least five years permanent active Town employment, health care and dental insurance will be provided by the Town for said employee for the remainder of his or her lifetime and for his or her dependents until age 19 or until age 25 if a full-time student, and for his or her spouse until age of 70. Retirees and spouses reaching age 65, or otherwise eligible for Medicare, are transferred to a Medicare supplement plan. This benefit was established by Town ordinance. A separate report was not issued for this plan.

An employee who began service after July 1, 2012 and retires according to the Town of Canton ERP requirements, with at least 20 years permanent active Town employment will receive health care insurance, dental insurance, and life insurance paid by the Town, for said employee for the remainder of his or her lifetime. Should an employee retire on disability with at least five years permanent active Town employment, health care, dental care, and life insurance will be provided by the Town for said employee for the remainder of his or her lifetime.

Membership of the ERP consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive members entitled but not yet receiving benefits	-
Active employees	59
Total	104

#### **Total OPEB Liability**

The Town's total OPEB liability of \$13,158,320 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

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

Inflation	2.5 percent
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases	
General employees	3.5% - 7.75%
Firefighters	3.5% - 7.75%
Law enforcement officers	3.5% - 7.35%
Municipal Bond Index Rate	
Prior measurement date	3.50%
Measurement date	2.21%
Healthcare Cost Trends	
Pre-Medicare	7.0% for 2019 decreasing to an ultimate rate of 4.5% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.5% by 2021

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2019	10,388,159
Changes for the year	
Service cost	317,830
Interest	367,766
Changes of benefit terms	-
Differences between expected and actual experience	16,662
Changes in assumptions or other inputs	2,468,102
Benefit payments and implicit subsidy credit	<u>( 400,199)</u>
Balance at June 30, 2021	13,158,320

The discount rate was based on the June Bond Buyer 20-year General Obligation Bond Index and the Municipal Bond Index Rates as of the measurement date.

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 1, 2010 through December 31, 2014, adopted by the LGERS Board.

*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	Discount Rate	1% Increase
Total OPEB liability	\$15,707,822	\$13,158,320	\$11,179,875

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$10,925,733	\$13,158,320	\$16,120,408

**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 \$566,352. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 96,997	\$1,087,702
Changes of assumptions	2,031,270	801,506
Benefit payments and administrative costs made subsequent to the measurement date	<u>330,096</u>	<u>-</u>
Total	\$2,458,363	\$1,889,208

\$330,096 of deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	(119,244)
2023	(119,244)
2024	( 17,354)
2025	209,042
2026	285,859
Thereafter	-

**2. Other Employment Benefits**

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

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year end is composed of the following:

Contributions to pension plan subsequent to the measurement date	\$ 281,780
Benefit payments made and administrative costs for LEOSSA made subsequent to measurement date	17,303
Benefit payments made and administrative costs for OPEB made subsequent to measurement date	330,096
Difference between expected and actual experience	285,834
Changes of assumption	2,236,255
Net difference between projected and actual share of contributions	192,094
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>142,654</u>
Total	\$3,486,016

Deferred inflows of resources at year end is composed of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 4,278	\$ 4,278
Taxes receivable, less penalties		61,705
Differences between expected and actual expense	1,100,175	-
Change in assumptions	808,430	
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>51,370</u>	<u>-</u>
Total	\$1,964,253	\$ 65,983

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is 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, the Town is eligible to and has purchased coverage of \$500,000 per structure through the NFIP for the Town Hall, Theater, and Armory.

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, workers compensation, 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 statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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 bonded for \$50,000, the Tax Collector for \$50,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

The Canton ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. Each board member, general manager, and finance officer are bonded in the amount of \$50,000 secured by corporate surety.

#### 5. Commitments

The Town rents parking lots and equipment under agreements which are operating leases. Most agreements are for 12 months or less. Total rent expense under operating leases was \$87,759. There are no future minimum lease payments under operating leases at June 30, 2021.

#### 6. Line of Credit

The ABC Board has a revolving line of credit with First Citizens Bank. The line of credit has a fixed annual interest rate of 17.90%, and the maximum amount of credit available is \$10,000. There were no amounts due on the line of credit on June 30, 2021.

#### 7. Long-Term Obligations

##### a. Capital Leases

In August 2016 the Town entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease agreement was entered into to lease maintenance equipment and requires one payment of \$2,936 and four annual payments of \$2,175. After this lease was paid off in the current year, the Town disposed of the asset.

In October 2020 the Town entered into an agreement to lease an excavator. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease agreement was entered into to lease maintenance equipment and requires thirty-six monthly payments of \$1,040.

In October 2020 the Town entered into an agreement to lease a backhoe. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease agreement was entered into to lease maintenance equipment and requires thirty-six monthly payments of \$1,530.

In October 2020 the Town entered into an agreement to lease another backhoe. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease agreement was entered into to lease maintenance equipment and requires thirty-six monthly payments of \$1,630.

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

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment	146,678	(5,688)	140,990

The future minimum lease obligation and net present value of these minimum payments as of June 30, 2021 is as follows:

<u>Year ending June 30</u>	<u>Government</u>	<u>Business-Type</u>
2022	\$12,476	\$37,919
2023	12,476	37,919
2024	3,119	9,480
2025	-	-
2026	-	-
2021	-	-
Total minimum lease payments	28,071	85,318
Less amounts representing interest	(2,611)	( - )
Present value of the minimum lease payments	\$25,460	\$85,318

b. Direct Borrowings

Governmental Activities:

In November 2010, the Town entered into a direct borrowing contract for \$344,122 to finance the acquisition of a pumper fire truck. The financing contract requires 15 annual payments of \$30,027 including interest at 3.57%. The remaining balance at June 30, 2021 was \$135,307.

In January 2015, the Town entered into a direct borrowing contract for \$37,190 to finance the acquisition of street sweeper. The financing contract requires seven annual payments of \$37,190, including interest at 14%. The remaining balance at June 30, 2021 was \$36,407.

In November 2016, the Town entered into a direct borrowing contract for \$25,797 to finance the acquisition of a new truck. The financing contract requires forty-eight payments of \$556, including interest at 7%. This direct borrowing was paid off in the current year.

In December 2016, the Town entered into a direct borrowing contract for \$376,600 to finance the acquisition of new police vehicles. The financing contract requires five annual payments of \$79,516 plus interest at 1.8%. The remaining balance at June 30, 2021 was \$78,472.

In February 2017, the Town entered into a direct borrowing contract for \$775,000 to finance a portion of the aquatic center. The financing contract requires thirty-two bi-annual principal payments of \$25,833 plus interest at 2.89%. The remaining balance at June 30, 2021 was \$568,333.

#### Business-type Activities:

In October 2002, the State Treasurer of North Carolina approved a loan of \$2,242,939 to the Town for the purpose of financing new construction at the wastewater treatment plant. Repayment to the loan began November 2007 upon completion of the construction. The loan requires 20 annual principal payments of \$112,147 and 40 semi-annual interest payments at 2.66%. The remaining balance at June 30, 2021 was \$560,735.

In May 2016, a local bank approved a loan of \$421,217 to the Town for the purpose of financing new radio meter readers. The loan requires 10 annual principal payments of \$48,601, including interest at a rate of 2.69%. The remaining balance at June 30, 2021 was \$224,564.

In February 2017, the Town entered into a direct borrowing contract for \$300,849 to finance the acquisition of water meters. The financing contract requires ten annual principal payments of \$34,056, plus interest at 2.32%. The remaining balance at June 30, 2021 was \$188,717.

In March 2020, the Town entered into a direct borrowing contract for \$1,792,744 to finance the construction of water system improvements at Spruce Street in Canton. The financing contract requires annual payments of \$89,637 plus interest at 1.53%. The remaining balance at June 30, 2021 was \$1,703,107.

Annual debt service payments of direct borrowings as of June 30, 2021 are as follows:

	Governmental Activities			Business-type Activities		
Year Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 191,743	\$ 23,407	\$ 215,150	\$ 274,022	\$ 51,392	\$ 325,414
2023	77,763	18,489	96,252	275,856	45,204	321,060
2024	78,695	16,108	94,803	277,736	38,969	316,705
2025	79,660	13,606	93,266	279,664	35,187	314,851
2026	80,659	11,114	91,773	281,641	26,355	307,996
2027-2031	258,333	27,997	286,330	481,469	83,059	564,528
2032-2036	51,666	1,119	52,785	448,186	48,001	496,187
2037-2041	-	-	-	358,549	13,714	372,263
Total	\$ 818,519	\$ 111,840	\$ 930,359	\$ 2,677,123	\$ 341,881	\$ 3,019,004

c. General Obligation Indebtedness

At June 30, 2021 the Town of Canton had no outstanding bonds and no authorized but unissued bonds. The Town had a legal debt margin of \$24,921,508.

d. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Direct borrowings	1,009,692	-	191,173	818,519	191,743
Compensated absences	304,398	8,038	-	312,436	-
Capital lease	2,115	32,921	9,576	25,460	10,717
Total pension liability (LEO)	358,026	105,300	-	463,326	-
Net pension liability	936,723	182,617	-	1,119,340	-
OPEB	8,310,527	2,479,295	-	10,789,822	-
Governmental activity long-term liabilities	\$ 10,921,481	2,808,171	\$ 200,749	\$ 13,528,903	\$ 202,460
Business-type activities:					
Direct borrowings	\$ 1,984,361	\$ 964,996	\$ 272,234	\$ 2,677,123	\$ 274,022
Compensated absences	64,062	1,705	-	65,767	44,517
Capital lease	-	113,757	28,439	85,318	3,160
Net pension liability	205,622	40,087	-	245,709	-
OPEB	2,077,632	290,866	-	2,368,498	-
Business-type activity long-term debt	\$ 4,331,677	\$ 1,411,411	\$ 300,673	\$ 5,442,415	\$ 321,699

C. Concentration Reporting

For the year ended June 30, 2021, one corporation comprised approximately 39% of ad valorem tax revenues and 14% of water sales.

**D. Net Investment in Capital Assets**

	Governmental	Business-Type
Capital assets	\$ 11,071,152	\$ 11,703,420
Less: long-term debt	843,979	2,762,441
Net investment in capital assets	<u>\$ 10,227,173</u>	<u>\$ 8,940,979</u>

**E. Fund Balances**

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

Total fund balance – General Fund	\$ 4,050,804
Less:	
Inventories	7,689
Stabilization by State Statute	636,111
Police	39,101
Streets – Powell Bill	317,854
Subsequent year's expenditures	256,511
Remaining fund balance	<u>\$2,793,538</u>

The Town has no further designation of unassigned fund balance and no formal policies regarding minimum levels of fund balance. The Town had no outstanding encumbrances at June 30, 2021.

**IV. Summary Disclosure of Significant Contingencies****Federal and State Assisted Programs**

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

**V. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through September 13, 2022, the date the financial statements were available to be issued.

On August 17, 2021 portions of the Town of Canton were flooded as a result of Tropical Storm Fred. Town Hall and several other buildings and/or sections of the Town are no longer usable after this event. The long-term effects to the Town and community are still being assessed currently. The Town expects federal and/or state emergency relief funding due to the flooding.

**VI. Reclassifications**

Certain prior year amounts have been reclassified for comparison purposes to current year presentation.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

Town of Canton, North Carolina  
Schedule of Proportionate Share of the Net Pension Liability  
Required Supplementary Information  
Local Government Employees' Retirement System  
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability (asset) %	0.382%	0.04183%	0.03882%	0.042%
Town's proportion of the net pension liability (asset)	\$ 1,365,049	\$ 1,142,345	\$ 920,943	\$ 648,366
Town's covered-employee payroll	\$ 2,707,973	\$ 2,611,689	\$ 2,421,400	\$ 2,276,958
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.4%	43.7%	38.0%	28.5%
Plan fiduciary net position as a percentage of the total pension liability	94.16%	91.47%	98.09%	99.07%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) %	0.038%	0.036%	0.038%	0.038%
Town's proportion of the net pension liability (asset)	\$ 797,786	\$ 163,316	\$ (221,450)	\$ 148,163
Town's covered-employee payroll	\$ 1,829,958	\$ 2,044,962	\$ 1,935,008	\$ 1,935,008
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.6%	7.9%	-11.40%	7.7%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%	96.45%	102.64%

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

Town of Canton, North Carolina  
Schedule of Contributions  
Required Supplementary Information  
Local Government Employees' Retirement System  
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$281,780	\$369,416	\$328,139	\$291,339
Contribution in relation to the contractually required contribution	281,780	369,416	328,139	291,339
Contribution deficiency (excess)	-	-	-	-
Town's covered-employee payroll	\$2,655,896	\$2,707,973	\$2,611,689	\$2,421,400
Contributions as a percentage of covered-employee payroll	10.61%	13.64%	12.56%	12.03%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$295,796	\$242,673	\$161,555	\$148,163
Contribution in relation to the contractually required contribution	295,796	242,673	161,555	148,163
Contribution deficiency (excess)	-	-	-	-
Town's covered-employee payroll	\$2,276,958	\$1,829,958	\$2,044,962	\$1,935,008
Contributions as a percentage of covered-employee payroll	12.99%	13.26%	11.99%	7.66%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 358,026	\$ 319,885	\$ 328,916	\$ 297,086	\$ 286,920
Service cost	15,766	14,335	16,069	13,750	13,460
Interest on the total pension liability	11,317	11,248	10,136	11,356	10,120
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(8,744)	24,425	(7,284)	(4,613)	-
Changes of assumptions or other inputs	108,694	9,866	(11,652)	17,094	(6,506)
Benefit payments	(21,733)	(21,733)	(16,300)	(5,757)	(6,908)
Other changes	-	-	-	-	-
Ending Balance of the total pension liability	<u>\$ 463,326</u>	<u>\$ 358,026</u>	<u>\$ 319,885</u>	<u>\$ 328,916</u>	<u>\$ 297,086</u>

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 463,326	\$ 358,026	\$ 319,885	\$ 328,916	\$ 297,086
Covered payroll	543,380	591,990	573,038	534,457	490,742
Total pension liability as a percentage of covered payroll	85.27%	60.48%	55.82%	61.54%	60.54%

Notes to the schedule:

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

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

	Measurement Period Ending		
	2021	2020	2019
<b>Total OPEB Liability</b>			
Service cost	\$ 317,830	\$ 430,960	\$ 458,628
Interest	367,766	443,986	410,663
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	16,662	(1,683,702)	90,374
Changes of assumptions or other inputs	2,468,102	(12,560)	(659,828)
Net benefit payments and implicit subsidy credit	(400,199)	(404,229)	(439,394)
Other changes	-	-	-
Net change in total OPEB liability	2,770,161	(1,225,545)	(139,557)
Total OPEB liability - beginning	10,388,159	11,613,704	11,753,261
<b>Total OPEB liability - ending</b>	<b>\$ 13,158,320</b>	<b>\$ 10,388,159</b>	<b>\$ 11,613,704</b>
Covered payroll	2,192,556	2,192,556	2,512,768
Total OPEB liability as a percentage of covered payroll	600.14%	473.79%	462.19%

**Notes to Schedule**

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

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**Town of Canton, North Carolina**  
**Comparative Balance Sheets**  
**General Fund**  
**June 30, 2021 and 2020**

**Exhibit A**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,248,351	\$ 2,823,364
Restricted cash	347,786	487,244
Receivables, net:		
Taxes	61,705	59,924
Accounts	23,023	25,392
Prepaid expenses	-	6,000
Due from other governments	613,088	498,221
Inventories	7,689	7,689
Total assets	<u>\$ 4,301,642</u>	<u>\$ 3,907,834</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 47,637	\$ 17,215
Salaries payable	107,286	106,707
Unearned grant revenue	-	125,000
Customer prepayments	29,932	26,313
Total liabilities	<u>184,855</u>	<u>275,235</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	61,705	59,924
Prepaid taxes	4,278	3,868
Total deferred inflows of resources	<u>65,983</u>	<u>63,792</u>
<b>Fund balances:</b>		
Nonspendable:		
Inventories	7,689	7,689
Restricted:		
Stabilization by state statute	636,111	529,613
Public Safety	39,101	37,900
Transportation	317,854	335,931
Assigned:		
Subsequent year's expenditures	256,511	865,776
Unassigned	2,793,538	1,791,898
Total fund balances	<u>4,050,804</u>	<u>3,568,807</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 4,301,642</u>	<u>\$ 3,907,834</u>

**Town of Canton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes		\$ 3,171,043		\$ 3,080,327
Penalties and interest		12,622		9,381
Total ad valorem taxes	3,152,583	3,183,665	31,082	3,089,708
Other taxes and licenses:				
Privilege licenses		3,403		2,751
	3,300	3,403	103	2,751
Unrestricted intergovernmental:				
Local option sales taxes		1,280,876		1,083,632
Utility franchise tax		730,046		737,529
Piped natural gas tax		6,859		5,215
Beer and wine tax		18,406		18,925
Sales tax-telecommunications		46,590		46,652
Sales tax-video programming		39,392		40,191
State hold-harmless distribution		294,219		261,625
ABC Profit distribution		37,281		53,865
Total unrestricted intergovernmental	1,800,850	2,453,669	652,819	2,247,634
Restricted intergovernmental:				
Powell Bill allocation		128,009		135,926
Miscellaneous grants - COVID		-		4,693
Cares Act grant - COVID		157,941		-
Government Crime Comm grant		45,462		22,621
Miscellaneous grants		8,556		-
Total restricted intergovernmental	322,841	339,968	17,127	163,240
Permits and fees:				
Building permits and inspection fees		-		-
Plumbing and electrical fees		-		-
Total permits and fees	3,000	-	(3,000)	-

(continued)

**Town of Canton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
Revenues (continued)				
Sales and services:				
Rents		18,390		17,925
Miscellaneous revenue-Police Department		115,527		106,268
Court facilities fees and forfeitures		4,713		4,649
Fire protection charges		90,926		83,185
Solid waste disposal tax		3,298		3,330
Sale of material and labor		4,500		3,150
Refuse collection fees		275,128		248,513
Recreation admissions and concessions		107,111		74,076
Theater revenue		12,228		21,710
Other fees		7,476		6,175
Total sales and services	502,050	639,297	137,247	568,981
Investment earnings:				
Interest earnings		5,130		41,473
Total investment earnings	25,150	5,130	(20,020)	41,473
Miscellaneous:				
Special event fees		11,990		98,531
Donations		231,465		54,393
Other miscellaneous		26,989		8,468
Total miscellaneous	92,235	270,444	178,209	161,392
Total revenues	5,902,009	6,895,576	993,567	6,275,179
<b>Expenditures:</b>				
General government:				
Governing Board				
Other operating expenditures		27,822		34,717
Total governing board	28,095	27,822	273	34,717
Administration:				
Salaries and employee benefits		155,586		145,907
Other operating expenditures		14,054		9,367
Capital outlay		-		2,421
Total administration	176,297	169,640	6,657	157,695
Finance				
Salaries and employee benefits		259,815		260,210
Other operating expenditures		57,070		61,177
Capital outlay		-		2,172
Total finance	331,300	316,885	14,415	323,559

(continued)

**Town of Canton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>Expenditures (continued)</b>				
Legal:				
Part-time salaries		-		-
Other operating expenditures		17,060		9,270
Total legal	21,050	17,060	3,990	9,270
Planning and Zoning				
Salaries and employee benefits		193,741		187,589
Other operating expenditures		60,784		182,908
Capital outlay		-		2,365
Total planning and zoning	261,183	254,525	6,658	372,862
Community Promotion				
Other operating expenditures		6,898		7,548
Capital Outlay		-		-
Total community promotion	12,000	6,898	5,102	7,548
Municipal Buildings:				
Salaries and employee benefits		4,683		4,671
Other operating expenditures		144,589		133,197
Capital outlay		-		12,828
Total municipal buildings	152,150	149,272	2,878	150,696
Total general government	982,075	942,102	39,973	1,056,347
Public Safety:				
Police:				
Salaries and employee benefits		1,420,453		1,428,233
Other operating expenditures		189,656		182,918
Capital outlay		44,285		51,090
Total police	1,803,918	1,654,394	149,524	1,662,241
Fire:				
Salaries and employee benefits		758,839		746,224
Other operating expenditures		98,087		82,098
Capital outlay		36,170		12,167
Total fire	932,304	893,096	39,208	840,489
Total public safety	2,736,222	2,547,490	188,732	2,502,730

(continued)

**Town of Canton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>Expenditures (continued)</b>				
Public Works:				
Traffic Engineering	1,059	1,059	-	1,059
Central Services:				
Salaries and employee benefits		116,272		112,164
Other operating expenditures		41,517		29,316
Capital outlay		-		-
Total central services	163,367	157,789	5,578	141,480
Streets:				
Salaries and employee benefits		787,093		746,109
Other operating expenditures		278,985		283,363
Capital outlay		46,371		42,333
Total streets	1,150,468	1,112,449	38,019	1,071,805
Street Cleaning and Sweeping:				
Salaries and employee benefits		34,812		44,977
Other operating expenditures		52,275		15,770
Capital outlay		-		-
Total street cleaning and sweeping	88,383	87,087	1,296	60,747
Powell Bill:				
Salaries and employee benefits		-		-
Other operating expenditures		146,156		125,837
Capital outlay		-		112,670
Total powell bill	254,000	146,156	107,844	238,507
Total public works	1,657,277	1,504,540	152,737	1,513,598
Environmental Protection:				
Sanitation:				
Salaries and employee benefits		-		-
Other operating expenditures		227,306		252,411
Total sanitation	229,000	227,306	1,694	252,411

(continued)

**Town of Canton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**  
 With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>Expenditures (continued)</b>				
Landfill:				
Other operating expenditures		13,600		8,800
Capital outlay		-		-
Total landfill	18,500	13,600	4,900	8,800
Total environmental protection	247,500	240,906	6,594	261,211
Cultural and Recreational:				
Canton Historical Museum:				
Salaries and employee benefits		17,737		17,601
Other operating expenditures		17,985		20,344
Total Canton Historical Museum	40,895	35,722	5,173	37,945
Recreational Areas and Facilities:				
Salaries and employee benefits		77,441		61,886
Other operating expenditures		170,414		162,818
Capital outlay		552,320		89,601
Total recreational areas and facilities	938,834	800,175	138,659	314,305
Colonial Pathway				
Salaries and employee benefits		66,283		73,109
Other operating expenditures		60,545		65,535
Capital outlay		-		21,154
Total recreation concessions	137,160	126,828	10,332	159,798
Armory				
Salaries and employee benefits		2,514		4,390
Other operating expenditures		51,131		50,803
Capital outlay		-		-
Total recreation concessions	56,730	53,645	3,085	55,193

(continued)

**Town of Canton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>Expenditures (continued)</b>				
Recreation Planning				
Salaries and employee benefits		6,121		
Other operating expenditures		1,029		
Capital outlay		-	-	
Total recreation planning	9,322	7,150	2,172	-
Total cultural and recreational	1,182,941	1,023,520	159,421	567,241
Debt Service:				
Principal retirement		200,750		198,780
Interest and fees		30,201		33,377
Total debt service	111,770	230,951	(119,181)	232,157
Total expenditures	6,917,785	6,489,509	428,276	6,133,284
Revenue over (under) expenditures	(1,015,776)	406,067	1,421,843	141,895
Other Financing Sources:				
Sale of capital assets	-	43,008		3,800
Capital lease proceeds		32,922	(32,922)	-
Total other financing sources	-	75,930	75,930	3,800
Fund balance appropriated	1,015,776	-	(1,015,776)	-
Net change in fund balance	\$ -	481,997	\$ 481,997	145,695
Fund balance, beginning of year		3,568,807		3,423,112
Fund balance, end of year		\$ 4,050,804		\$ 3,568,807

**Town of Canton, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
 With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>OPERATING REVENUES</b>				
Charges for services:				
Water sales		\$ 1,966,149		\$ 1,875,921
Sewer charges		467,634		463,106
Taps and connection fees		86,150		66,896
Reconnection fees		14,325		17,675
Other operating revenues		43,531		1,583
Total operating revenues	2,320,000	2,577,789	257,789	2,425,181
<b>NON-OPERATING REVENUES</b>				
Interest on investments		11,246		45,790
Sale of materials and equipment		7,034		5,470
Total non-operating revenues	27,500	18,280	(9,220)	51,260
Total revenues	2,347,500	2,596,069	248,569	2,476,441
<b>OPERATING EXPENDITURES</b>				
Administration:				
Salaries and employee benefits		187,578		180,810
Repairs and maintenance		605		24
Other operating expenditures		63,680		51,504
Total administration	263,585	251,863	11,722	232,338
Water treatment				
Salaries and employee benefits		296,102		299,682
Repairs and maintenance		84,227		40,051
Other operating expenditures		248,787		278,349
Total water treatment	666,641	629,116	37,525	618,082
Water and sewer distribution				
Salaries and employee benefits		389,702		407,244
Repairs and maintenance		50,532		33,862
Other operating expenditures		235,478		165,838
Total water and sewer distribution	770,724	675,712	95,012	606,944
Sewer Treatment Plant:				
Repairs and maintenance		-		-
Other operating expenses		165,281		213,926
Total sewer treatment	221,343	165,281	56,062	213,926
<b>Debt service:</b>				
Principal retirement		300,673		180,854
Interest		60,885		34,806
Total debt service	333,942	361,558	(27,616)	215,660

(continued)

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

With comparative actual amounts for the year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)	2020
<b>OPERATING EXPENDITURES (continued)</b>				
Capital Outlay:	166,000	263,931	(97,931)	99,231
Total expenditures	2,422,235	2,347,461	74,774	1,986,181
Revenues over (under) expenditures	(74,735)	248,608	323,343	490,260
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Crossroad Hills Project		-		(4,069)
Transfer to Spruce Street Project		-		(39,189)
Grant revenue		-		27,449
Total other financing sources (uses)	-	-	-	(15,809)
Budgetary appropriation	74,735	-	(74,735)	-
Revenues and other financing sources over (under)	\$ -	\$ 248,608	\$ 248,608	\$ 474,451
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Reconciling items:				
Loan principal payments		300,673		180,854
Increase (decrease) in deferred outflows - pension		(22,172)		(27,190)
Increase (decrease) in deferred outflows - OPEB		350,088		(10,681)
(Increase)decrease in interest accrued on long term debt		818		26
(Increase) decrease in accrued salaries and compensated absences		(1,092)		(8,169)
(Increase) decrease in pension liability		(40,087)		(21,433)
(Increase) decrease in deferred inflows - pension		(9,246)		953
(Increase) decrease in deferred inflows - OPEB		155,353		(221,683)
(Increase) decrease in accrued OPEB liability		(290,866)		245,109
Capital outlay		263,931		99,231
Depreciation		(394,592)		(330,724)
Transfers to capital project funds		-		43,258
Grant accounts receivable adjustment-Crossroad Hills capital project		-		(4,069)
Total reconciling items		312,808		(54,518)
Change in net position - Water and Sewer Fund		\$ 561,416		\$ 419,933

**Town of Canton, North Carolina**  
**Water and Sewer Capital Project Fund**  
**Spruce Street Area Water System Improvements Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the year ended June 30, 2021**

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital Outlay					
Engineering design	10,000	10,000	-	10,000	-
Design and permitting	98,600	98,600	-	98,600	-
Bidding and awarding	10,000	10,000	-	10,000	-
Construction administration	95,000	93,710	-	93,710	1,290
Legal/Administration/Testing	11,000	-	-	-	11,000
Construction cost	1,580,500	1,580,433	-	1,580,433	67
Closing fee	39,189	39,189	-	39,189	-
Contingency	133,151	-	-	-	133,151
Total expenditures	1,977,440	1,831,932	-	1,831,932	145,508
Revenues under expenditures	(1,977,440)	(1,831,932)	-	(1,831,932)	145,508
Other Financing Sources (Uses):					
NC Drinking Water State Reserve Loan	1,943,500	827,747	964,996	1,792,743	(150,757)
Transfer from Water and Sewer Fund	33,940	39,189	-	39,189	5,249
Total Other Financing Sources	1,977,440	866,936	964,996	1,831,932	(145,508)
Revenue and other sources over (under) expenditures	-	(964,996)	964,996	-	-

Town of Canton, North Carolina  
 Employee Support Group Fund - Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2021

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and Cash Equivalents	\$ 10,770	\$ 840	\$ 1,000	\$ 10,610
Liabilities:				
Payable to Employees Support Group Committee	\$ 10,770	\$ 840	\$ 1,000	\$ 10,610

## **OTHER SCHEDULES**

**Exhibit F**

**Town of Canton, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 3,184,089	\$ 3,128,210	\$ 55,879
2019-2020	32,571	-	26,603	5,968
2018-2019	8,890	-	4,581	4,309
2017-2018	5,674	-	2,149	3,525
2016-2017	5,985	-	2,902	3,083
2015-2016	3,580	-	462	3,118
2014-2015	4,364	-	433	3,931
2013-2014	2,805	-	(3,410)	6,215
2012-2013	7,240	-	(860)	8,100
2011-2012	10,910	-	1,961	8,949
2010-2011	10,649	-	10,649	-
2009-2010	3,692	-	3,692	-
	<u>\$ 96,360</u>	<u>\$ 3,184,089</u>	<u>\$ 3,177,372</u>	<u>103,077</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(41,372)</u>
Ad valorem taxes receivable - net				<u>\$ 61,705</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				<u>\$ 3,183,665</u>
Reconciling items:				
Interest collected				(12,622)
Discounts allowed and releases				2,637
Taxes written off				<u>3,692</u>
Subtotal				<u>(6,293)</u>
Total collections and credits				<u>\$ 3,177,372</u>

Exhibit G

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

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property - real and personal	509,570,510	0.58	\$ 2,955,509	\$ 2,955,509	\$ -
Registered motor vehicles	38,090,500	0.58	220,925	-	220,925
Advertising			1,859	1,859	-
Total			3,178,293	2,957,368	220,925
Discoveries:					
Current year taxes	999,310	0.58	5,796	5,796	-
Total property valuation	<u>548,660,320</u>				
Net levy			3,184,089	2,963,164	220,925
Uncollected taxes at June 30, 2021			(55,879)	(55,879)	-
Current year's taxes collected			<u>\$ 3,128,210</u>	<u>\$ 2,907,285</u>	<u>\$ 220,925</u>
Current levy collection percentage			<u>98.25%</u>	<u>98.11%</u>	<u>100.00%</u>

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## **INDEPENDENT AUDITOR' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor  
and Members of the Board of Aldermen  
Town of Canton, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Canton, North Carolina (Town of Canton) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Canton's basic financial statements and have issued my report thereon dated September 13, 2022. Other auditors audited the financial statements of the Town of Canton's ABC Board, as described in my report on the Town of Canton's financial statements. The financial statements of the Town of Canton's ABC Board were not audited in accordance with *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Canton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canton's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Canton's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Sheila Gahagan, CPA  
September 13, 2022