

**TOWN OF CATAWBA  
NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

Fiscal Year Ended June 30, 2021

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Annual Financial Report**  
Fiscal Year Ended June 30, 2021

**Mayor and Council Members**

Mayor	Donald Robinson
Mayor Pro-Tem	Jeffrey W. Hendren
Council Members	Patrick H. Laney Donald Allen Carroll Yount

**Town Administration**

Town Manager	Helen E. Yokley-Krige
Town Clerk	Kathy Johnson
Town Attorney	Susan W. Matthews

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Table of Contents**  
**June 30, 2021**

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>Financial Section</b>		
<b>Independent Auditor's Report</b>		3
<b>Management's Discussion and Analysis</b>		6
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
Statement of Net Position	1	17
Statement of Activities	2	19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	4	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	24
Notes to the Financial Statements		27
	<b><u>Statement</u></b>	<b><u>Page</u></b>
<b>Required Supplementary Information:</b>		
Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System	A-1	56
Schedule of Contributions to Local Government Employees' Retirement System	A-2	58

	<b><u>Statement</u></b>	<b><u>Page</u></b>
Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance	A-3	60
Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance	A-4	61
Schedule of Changes in the Total OPEB Liability and Related Ratios	A-5	62

### **Schedule**

#### **Individual Fund Statements and Schedules:**

##### *Governmental Activities – Major Funds:*

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	1	64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund - Capital Reserve Fund	2	68

#### **Other Schedules:**

Schedule of Ad Valorem Taxes Receivable	3	71
Analysis of Current Tax Levy	4	72

## **Financial Section**

- 
- \* Independent Auditor's Report**
  - \* Management's Discussion and Analysis**
  - \* Basic Financial Statements**
  - \* Notes to the Financial Statements**
  - \* Individual Fund Statements and Schedules**

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**Debora B. Wentz, CPA**  
**Post Office Box 287**  
**Newton, North Carolina, 28658**

Independent Auditor's Report

To the Town Council  
Town of Catawba, North Carolina

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Catawba, 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 and General Fund Capital Reserve 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 6 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 56 through 59, respectively, Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 through 61, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 62, 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 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 Town of Catawba's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules and other schedules are the responsibility of management and were derived from and 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. In my opinion, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Debra B. Wentz, CPA*

Newton, NC 28658  
November 9, 2021



## **Management's Discussion and Analysis**

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## **Town of Catawba, NC Management's Discussion and Analysis**

As management of the Town of Catawba, we offer readers of the Town of Catawba's financial statements this narrative overview and analysis of the financial activities of the Town of Catawba 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**

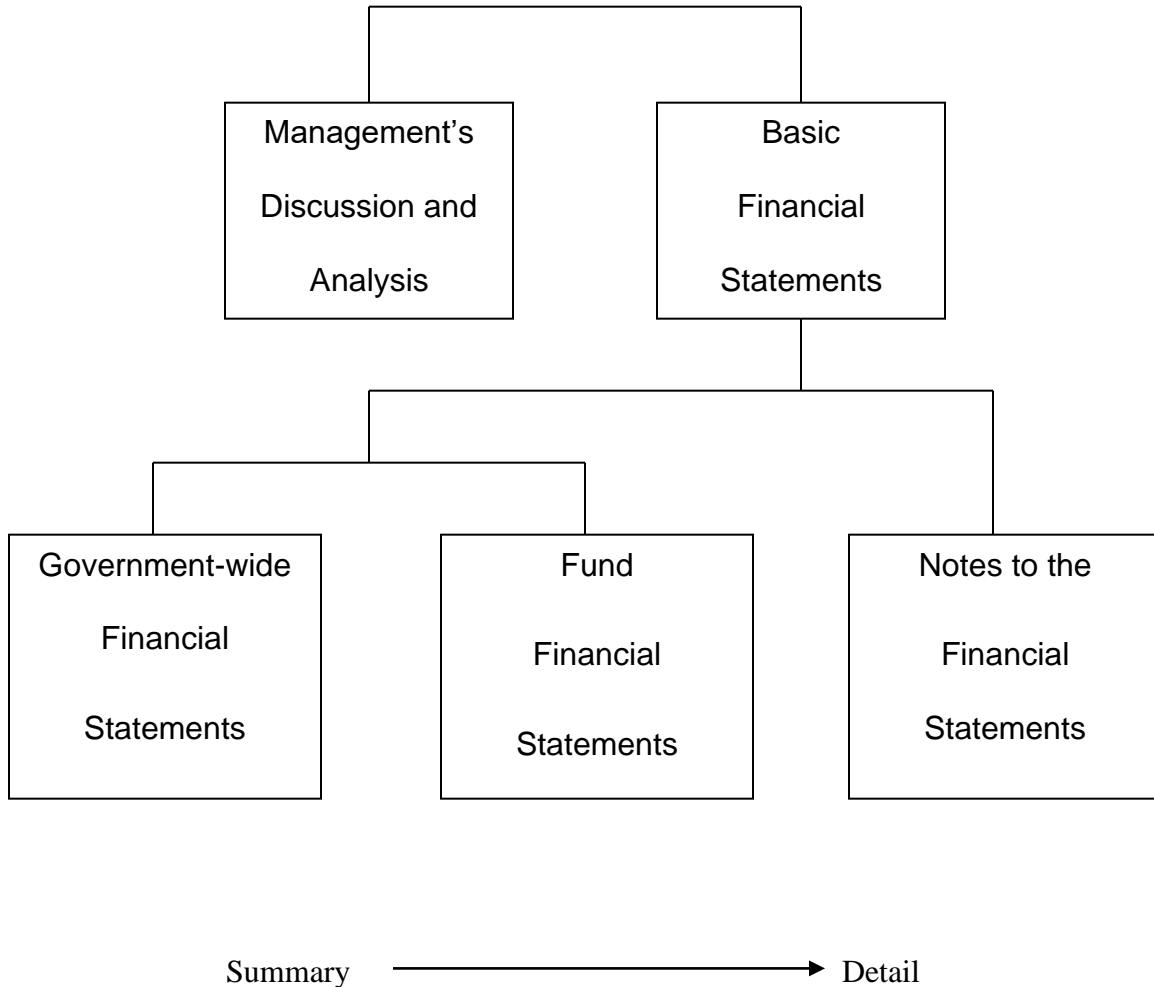
- The assets and deferred outflows of resources of the Town of Catawba exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,629,457 (net position).
- The government's total net position increased by \$108,609.
- As of the close of the current fiscal year, the Town of Catawba's governmental funds reported combined ending fund balances of \$1,417,366 with a net change of \$160,859 in fund balance. Approximately 13.81 percent of this total amount, or \$195,678, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$844,948 or 121.72 percent of total general fund expenditures for the fiscal year.

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

This discussion and analysis is intended to serve as an introduction to the Town of Catawba'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 Catawba.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of Catawba, North Carolina's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

### **Government-wide Financial Statements**

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

The two government-wide statements report the Town's net position and how 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 comprised of one category, governmental activities. The governmental activities include most of the Town's basic services such as public safety, public works, and general administration. Property taxes and State and federal grant funds finance most of these activities.

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

### **Fund Financial Statements**

The fund financial statements (See Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Catawba, 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 Catawba are in one category: governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. 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

## Management Discussion and Analysis

### Town of Catawba

*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 financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Catawba 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 Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement 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 Council; 2) the final budget as amended by the Council; 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.

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Catawba's progress in funding its obligation to provide other postemployment benefits to employees and individual fund statements and schedules. Required supplementary information, individual fund statements and information schedules can be found beginning on page 55 of this report.

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

## The Town of Catawba's Net Position

**Figure 2**

	2021	2020
Current and other assets	\$ 1,449,835	\$ 1,290,853
Noncurrent assets	701,092	726,774
Deferred outflows of resources	104,723	57,087
Total assets and deferred outflows of resources	2,255,650	2,074,714
Current liabilities outstanding	38,430	36,451
Long term liabilities	573,813	503,831
Deferred inflows of resources	13,950	13,584
Total liabilities and deferred inflows of resources	626,193	553,866
Net position:		
Net investment in capital assets	701,092	726,774
Restricted	187,064	147,229
Unrestricted	741,301	646,845
Total net position	\$ 1,629,457	\$ 1,520,848

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 Catawba exceeded liabilities and deferred inflows by \$1,629,457 as of June 30, 2021. The Town's net position increased \$108,609 for the fiscal year ended June 30, 2021. The largest portion, \$741,301, (45.49%) reflects the Town's unrestricted net assets and the second largest portion, \$701,092, (43.03%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Catawba uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Catawba'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. The Town had no debt related to fixed assets at June 30, 2021. An additional portion of the Town of Catawba's net position, \$187,064, represents resources that are subject to external restrictions on how they may be used.

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

- Property tax levy values increased.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.24%.
- Continued diligence in managing expenditures.

## Town of Catawba's Changes in Net Position

**Figure 3**

		Governmental Activities	
		2021	2020
Revenues:			
Program revenues:			
Charges for services	\$	70,391	\$ 66,086
Operating grants and contributions		78,248	34,071
Capital grants and contributions		-	-
General revenues:			
Property taxes		437,580	424,560
Other taxes		251,370	168,622
Other		15,144	77,574
Total revenues		<u>852,733</u>	<u>770,913</u>
Expenses:			
General government		309,066	251,612
Public safety		220,361	169,791
Transportation		153,122	144,200
Environmental protection		52,363	49,829
Cultural and recreational		9,212	45,821
Total expenses		<u>744,124</u>	<u>661,253</u>
Increase (decrease) in net position		108,609	109,660
Net position, July 1		<u>1,520,848</u>	<u>1,411,188</u>
Net position, June 30	\$	<u><u>1,629,457</u></u>	\$ <u><u>1,520,848</u></u>

**Governmental activities.** Governmental activities increased the Town's net position by \$108,609.

### Financial Analysis of the Town's Funds

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

## Management Discussion and Analysis

### Town of Catawba

**Governmental Funds.** The focus of the Town of Catawba'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 Catawba's financing requirements.

The general fund is the chief operating fund of the Town of Catawba. At the end of the current fiscal year, the Town of Catawba's fund balance available in the General Fund was \$961,330 while total fund balance reached \$1,073,354. The Town currently has an available fund balance of 138.48% of general fund expenditures, while total fund balance represents 154.62% of the same amount.

At June 30, 2021, the governmental funds of Town of Catawba reported a combined fund balance of \$1,417,366 with a net increase in fund balance of \$160,859. Included in this change in fund balance are increases in fund balance of the General Fund and the General Fund - Capital Reserve Fund.

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

Highlights include the following:

Budget amendments were utilized to transfer expenditures among line items in various departments. Actual expenditures were less than budgeted expenditures by \$106,074

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Catawba's investment in capital assets for its governmental activities as of June 30, 2021, totals \$701,092 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.



**Town of Catawba's Capital Assets**  
(net of depreciation)

**Figure 4**

	Governmental Activities	
	2021	2020
Land and improvements	\$ 31,382	\$ 31,382
Buildings and improvements	558,739	572,261
Furniture and equipment	16,845	19,546
Infrastructure	87,082	91,088
Vehicles and motorized equipment	7,044	12,497
Total	<u>\$ 701,092</u>	<u>\$ 726,774</u>

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

**Long-term Debt.** As of June 30, 2021, the Town of Catawba had total debt outstanding of \$0.00.

**Town of Catawba's Outstanding Debt**

The Town of Catawba had no debt as of June 30, 2021, except debt relating to compensated absences, OPEB liability, and pension obligation liabilities.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Catawba is \$6,002,579.

Additional information regarding the Town of Catawba's long-term debt can be found in Note 3 beginning on page 38 of this report.

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

The following key economic indicators reflect the economic condition of the Town.

- The Catawba County unemployment rate decreases from 9.3% in June 2020 to 4.7% in June 2021. Prior to the pandemic, unemployment was averaging 3.77%. This compares to 3.5% in 2019, 3.6% in 2018 and 4.2 in 2017. The State rate at June 2021 was 4.9%.
- The Catawba County reported an increase of 0.8% growth according to the North Carolina Certified Population Estimate by the NC Department of Commerce.
- According to the October 2021 Catawba County Profile provided by the NC Department of Commerce, 76.9% of residents were employed in State/County of residence.

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

**Governmental Activities:** Property taxes are expected to remain the same at .58 per \$100. Revenues are expected to increase due to the improving economic conditions. An appropriation in the amount of \$32,728 was anticipated for the upcoming fiscal year. General Fund Balance appropriations are \$22,728 and Powell Bill appropriations are \$10,000. The Town of Catawba anticipates the production of a Bicycle and Pedestrian Project Acceleration Plan in accordance with North Carolina Department of Transportation's policies and procedures. The upcoming budget allows for the purchase of new truck for the Public Works department and plans to invest Powell Bill funds for the repavement of Town of Catawba streets. The Town of Catawba plans to proceed with the Street Light Replacement with Duke Energy.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Catawba, P. O. Box 70, Catawba, N.C. 28609. You may also call 828-241- 2215, or visit our website [www.townofcatawbanc.org](http://www.townofcatawbanc.org) or send an email to [Elizabeth.krige@townofcatawbanc.org](mailto:Elizabeth.krige@townofcatawbanc.org).

## **Basic Financial Statements**

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The Basic Financial Statements present a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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

	<u><b>Primary Government</b></u> <u><b>Governmental</b></u> <u><b>Activities</b></u> <u><b>\$</b></u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	1,254,428
Taxes receivable (net)	9,769
Accrued interest receivable on taxes	908
Accounts receivable	310
Due from other governments	103,100
Prepaid items	8,614
Restricted cash and cash equivalents	<u>72,706</u>
Total current assets	<u>1,449,835</u>
Non-current assets:	
Capital assets (Note 3):	
Land and non-depreciable assets	31,382
Other capital assets, net of depreciation	<u>669,710</u>
Total capital assets	<u>701,092</u>
Total assets	<u>2,150,927</u>
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	51,251
OPEB deferrals	<u>53,472</u>
Total deferred outflows of resources	<u>104,723</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	20,792
Customer deposits	1,000
Current portion of long-term liabilities	<u>16,638</u>
Total current liabilities	38,430
Long-term liabilities:	
Net pension liability	53,601
Total pension liability	22,337
Total OPEB liability	493,784
Accrued vacation payable	<u>4,091</u>
Total liabilities	<u>612,243</u>

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

	<u><b>Primary Government</b></u> <b>Governmental</b> <b>Activities</b> <b>\$</b>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	7,117
Total OPEB liability	<u>6,833</u>
Total deferred inflows of resources	<u>13,950</u>
<b>Net Position:</b>	
Net investment in capital assets	701,092
Restricted for:	
Stabilization by State Statute	103,410
Streets	66,679
Public safety	1,067
Downtown Activities	10,948
Cultural and recreational	4,960
Unrestricted	<u>741,301</u>
Total net position	<u><u>1,629,457</u></u>

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

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Statement of Activities**  
For the Year Ended June 30, 2021

	<u>Program Revenues</u>				<b>Net (Expense) Revenue and Changes in Net Position</b>
					<b>Primary Government</b>
<u>Functions/Programs</u>	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>	<b>Governmental</b>
	<b>\$</b>	<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>	<b>Activities</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Primary government:</b>					
Governmental activities:					
General government	309,066	14,325	12,474		( 282,267)
Public safety	220,361	1,058	36,804		( 182,499)
Transportation	153,122		19,729		( 133,393)
Environmental protection	52,363	54,908	456		3,001
Cultural and recreational	<u>9,212</u>	<u>100</u>	<u>8,785</u>		( <u>327</u> )
Total governmental activities (See Note 1)	<u>744,124</u>	<u>70,391</u>	<u>78,248</u>	<u>0</u>	( <u>595,485</u> )
General revenues:					
Taxes:					
Property taxes, levied for general purpose					437,580
Local option sales tax					251,370
Grants and contributions not restricted to specific programs					300
Gain on sale of capital assets					13,250
Unrestricted investment earnings					112
Miscellaneous					<u>1,482</u>
Total general revenues					<u>704,094</u>
Change in net position					108,609
Net position, beginning					<u>1,520,848</u>
Net position, ending					<u>1,629,457</u>

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

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

	<b>Major Funds</b>		
		<b>General Fund -</b>	
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Total Governmental Funds</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	910,416	344,012	1,254,428
Restricted cash	72,706		72,706
Receivable (net):			
Taxes	9,769		9,769
Accounts	310		310
Due from other governments	103,100		103,100
Prepaid items	8,614		8,614
Total assets	<u>1,104,915</u>	<u>344,012</u>	<u>1,448,927</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	20,792		20,792
Customer deposits	1,000		1,000
Total liabilities	<u>21,792</u>	<u>0</u>	<u>21,792</u>
Deferred inflows of resources:			
Property taxes receivable	9,769		9,769
Total deferred inflows of resources	<u>9,769</u>	<u>0</u>	<u>9,769</u>
Fund balances:			
Non Spendable			
Prepaid expenses	8,614		8,614
Restricted			
Stabilization by State Statute	103,410		103,410
Streets	66,679		66,679
Public safety	1,067		1,067
Cultural and recreational	4,960		4,960
Downtown activities	10,948		10,948
Committed			
Capital improvements		344,012	344,012
Assigned			
Subsequent year's expenditures	32,728		32,728
Unassigned	844,948		844,948
Total fund balances	<u>1,073,354</u>	<u>344,012</u>	<u>1,417,366</u>
Total liabilities, deferred inflows of resources and fund balances	<u>1,104,915</u>	<u>344,012</u>	



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

	\$	\$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		1,417,366
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	1,458,414	
Accumulated depreciation	( <u>757,322</u> )	701,092
Deferred outflows of resources related to pensions are not reported in the funds.		51,251
Deferred outflows of resources related to OPEB are not reported in the funds.		53,472
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		908
Earned revenues considered deferred inflows of resources in fund statements.		9,769
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt	( 16,638)	
Net pension liability	( 53,601)	
Total pension liability	( 22,337)	
OPEB liability	( 493,784)	
Accrued vacation payable	( <u>4,091</u> )	( 590,451)
Deferred inflows of resources related to pensions are not reported in the funds.		( 7,117)
Deferred inflows of resources related to OPEB are not reported in the funds.		( <u>6,833</u> )
Net position of governmental activities		<u>1,629,457</u>

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

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
For the Year Ended June 30, 2021

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Total Governmental Funds</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues:</b>			
Ad valorem taxes	439,896		439,896
Unrestricted intergovernmental	251,370		251,370
Restricted intergovernmental	69,463		69,463
Permits and fees	2,083		2,083
Sales and services	68,308		68,308
Investment earnings	59	53	112
Miscellaneous	<u>10,567</u>		<u>10,567</u>
Total revenues	<u>841,746</u>	<u>53</u>	<u>841,799</u>
<b>Expenditures:</b>			
Current:			
General government	286,903		286,903
Public safety	216,359		216,359
Transportation	132,552		132,552
Environmental protection	52,363		52,363
Cultural and recreational	<u>6,013</u>		<u>6,013</u>
Total expenditures	<u>694,190</u>	<u>0</u>	<u>694,190</u>
Excess of revenues over expenditures	147,556	53	147,609
<b>Other Financing Sources:</b>			
Proceeds from the sale of capital assets	<u>13,250</u>		<u>13,250</u>
Net change in fund balance	160,806	53	160,859
Fund balances, beginning	<u>912,548</u>	<u>343,959</u>	<u>1,256,507</u>
Fund balances, ending	<u>1,073,354</u>	<u>344,012</u>	<u>1,417,366</u>

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
For the Year Ended June 30, 2021

	\$	\$
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		160,859
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.		
Depreciation expense for governmental assets		( 25,682)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		11,446
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		10,911
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		5,064
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	( 1,992)	
Change in accrued interest on tax receivables	( <u>324</u> )	( 2,316)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued vacation pay	997	
Pension expense	( 17,591)	
Other postemployment benefits	( 30,085)	
LEO Special Separation Allowance	( <u>4,994</u> )	( <u>51,673</u> )
Total changes in net position of governmental activities		<u>108,609</u>

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

**TOWN OF CATAWBA, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2021

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original \$</b>	<b>Final \$</b>	<b>Actual Amounts \$</b>	<b>\$</b>
<b>Revenues:</b>				
Ad valorem taxes	367,784	367,784	439,896	72,112
Unrestricted intergovernmental	173,390	173,390	251,370	77,980
Restricted intergovernmental	71,610	69,084	69,463	379
Permits and fees	900	900	2,083	1,183
Sales and services	63,280	63,280	68,308	5,028
Investment earnings	2,000	2,000	59	( 1,941)
Miscellaneous	<u>1,500</u>	<u>1,800</u>	<u>10,567</u>	<u>8,767</u>
Total revenues	<u>680,464</u>	<u>678,238</u>	<u>841,746</u>	<u>163,508</u>
<b>Expenditures:</b>				
General government	251,617	319,741	286,903	32,838
Public safety	227,296	227,446	216,359	11,087
Transportation	187,365	187,365	132,552	54,813
Environmental protection	51,887	52,887	52,363	524
Cultural and recreational	<u>11,925</u>	<u>12,825</u>	<u>6,013</u>	<u>6,812</u>
Total expenditures	<u>730,090</u>	<u>800,264</u>	<u>694,190</u>	<u>106,074</u>
Revenues over (under) expenditures	( <u>49,626</u> )	( <u>122,026</u> )	<u>147,556</u>	<u>269,582</u>
<b>Other Financing Sources:</b>				
Proceeds from sale of capital assets	<u>          </u>	<u>8,200</u>	<u>13,250</u>	<u>5,050</u>
Total other financing sources	<u>0</u>	<u>8,200</u>	<u>13,250</u>	<u>5,050</u>
Fund balance appropriated	<u>49,626</u>	<u>113,826</u>	<u>          </u>	( <u>113,826</u> )
Net change in fund balance	<u>0</u>	<u>0</u>	160,806	<u>160,806</u>
Fund balances, beginning			<u>912,548</u>	
Fund balances, ending			<u>1,073,354</u>	

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

## **Notes to the Financial Statements**

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These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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**TOWN OF CATAWBA, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 1.**  
**Summary of Significant**  
**Accounting Policies**

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

**A. Reporting Entity**

The Town of Catawba is a municipal corporation which is governed by an elected Mayor and a four-member council.

**B. Basis of Presentation**

**Government-wide Statements** - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. Statements for each *governmental fund* are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

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

General Fund – Capital Reserve Fund – This capital project fund is used to account for the funds to finance capital projects.

The Town does not have any non-major governmental funds.

**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 Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

**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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to



be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 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 of Catawba because the tax is levied by Catawba County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the General Fund – Capital Reserve Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The Budget Officer shall be authorized to reallocate departmental appropriations among the various expenditures within each department. In addition, the Budget Officer is authorized to effect department transfers of minor budget amendments not to exceed ten (10%) percent of the appropriated funds for the department's allocation which is being reduced. Notification of all such transfers or amendments shall be made to the Town Council at the next regular meeting of that body following each transfer. Inter-fund transfers of money shall be accomplished only by authorization from the Town Council. Approval of a contingency

appropriation shall be deemed a budget amendment, which transfers funds from the contingency appropriation to the appropriate object of expenditure. All amendments must be approved by Town Council, except in those instances where the Budget Officer is authorized to make limited transfers. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers time until the annual ordinance can be adopted.

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

**Deposits and Investments**

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

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

**Cash and Cash Equivalents**

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

**Restricted Assets**

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

restricted cash because their use is restricted by revenue source for police enforcement.

Town of Catawba Restricted Cash

Governmental Activities:

General Funds

Streets	\$ 66,679
Public safety	1,067
Veterans Garden of Honor	<u>4,960</u>
Total governmental activities restricted cash	<u>\$ 72,706</u>

**Ad Valorem Taxes Receivable**

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

**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.

**Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired after July 1, 2003, consist of the road network and water and sewer system assets and are reported 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50 - 67
Improvements	25 - 50
Vehicles	5 - 7
Furniture and equipment	3 - 5
Computer equipment	3 - 5

### **Deferred Outflows/Inflows of Resources**

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

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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 discounts. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **Compensated Absences**

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

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

## **Net Position/Fund Balances**

### **Net Position:**

Net position in government-wide financial statements is 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.

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

*Restricted for Stabilization by State statute* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the

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

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

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for narcotic enforcement.

*Restricted for Cultural and Recreational* – portion of fund balance that is restricted by revenue source for maintenance of the Catawba Veterans Garden of Honor, planning and hosting the Town festival, parade, and other downtown activities.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Catawba's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town has no committed fund balances at June 30, 2021.

Assigned fund balance – portion of fund balance that Town of Catawba 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. The governing body approves the appropriation.

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 Catawba does not have a revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

### **Defined Benefit Cost-Sharing Plans**

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

**Note 2.**  
**Stewardship, Compliance**  
**and Accountability**

No instances of material noncompliance were found.

**Note 3.**  
**Detail Notes on all Funds**

**A. Assets**

**Deposits**

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

At June 30, 2021, the Town's deposits had a carrying amount of \$607,043 and a bank balance of \$719,389. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$300.

**Investments**

At June 30, 2021, the Town of Catawba had \$719,791 invested with North Carolina Capital Management Trust Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

**Accounts Receivable**

Receivables – Allowances for Doubtful Accounts - The amounts



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

<u>Fund</u>	<u>06/30/21</u>
General Fund	
Taxes receivable	\$ <u>13,866</u>

## Capital Assets

### Primary Government:

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

	Beginning Balances \$	Increases \$	Decreases \$	Transfers \$	Ending Balances \$
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	<u>31,382</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>31,382</u>
Total capital assets not being depreciated	<u>31,382</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,382</u>
Capital assets being depreciated:					
Buildings and improvements	856,384		1,505		854,879
Equipment and furniture	255,118		11,041		244,077
Computer equipment	16,897		5,220		11,677
Vehicles	291,174		94,969		196,205
Infrastructure	<u>120,194</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>120,194</u>
Total capital assets being depreciated	<u>1,539,767</u>	<u>0</u>	<u>112,735</u>	<u>0</u>	<u>1,427,032</u>
Less accumulated depreciation for:					
Buildings and improvements	284,123	13,522	1,505		296,140
Equipment and furniture	235,572	2,701	11,041		227,232
Computer equipment	16,897		5,220		11,677
Vehicles	278,677	5,453	94,969		189,161
Infrastructure	<u>29,106</u>	<u>4,006</u>	<u>          </u>	<u>          </u>	<u>33,112</u>
Total accumulated depreciation	<u>844,375</u>	<u>25,682</u>	<u>112,735</u>	<u>0</u>	<u>757,322</u>
Total capital assets being depreciated, net	<u>695,392</u>				<u>669,710</u>
Governmental activity capital assets, net	<u>726,774</u>				<u>701,092</u>

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

General government	\$ 6,981
Public safety	8,708
Transportation	6,794
Cultural and recreational	<u>3,199</u>
Total depreciation expense	\$ <u>25,682</u>

## **B. Liabilities**

### **Pension Plan Obligations**

#### **a. Local Government Employees' Retirement System:**

##### Plan description

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

##### Benefits Provided

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

agency service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

### Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Catawba employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Catawba contractually required contribution rate for the year ended June 30, 2021, was 10.15% for general employees and 10.84% of compensation for law enforcement officers, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Catawba were \$11,446 for the year ended June 30, 2021.

*Refunds of Contributions* - Town employees who have terminated service as a contributing member of LGERS, may file an

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

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

At June 30, 2021, the Town reported a liability of \$53,601 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was .00150%, which was a decrease of .00064% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$17,591. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 6,769	\$ -
Changes of assumptions	3,989	-
Net difference between projected and actual earnings on pension plan investments	7,543	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,148	7,117
Town contributions subsequent to the measurement date	<u>11,446</u>	<u>-</u>
Total	\$ <u><u>36,895</u></u>	\$ <u><u>7,117</u></u>

\$11,446 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended		
June 30:		
2022	\$	5,368
2023		6,789
2024		3,943
2025		2,232
2026		-

#### Actuarial Assumptions

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

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

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

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

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

The projected long-term investment returns and inflation

assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

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

#### Discount Rate

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

projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Town’s proportionate share of the net pension liability (asset)	\$ 108,751	\$ 53,601	\$ 7,768

Pension plan fiduciary net position

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

**b. Law Enforcement Officers' Special Separation Allowance:**

Plan Description

The Town of Catawba administers a public employee retirement system (the “Separation Allowance”), a single employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>1</u>
Total	<u>2</u>

#### Summary of Significant Accounting Policies

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

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

#### Actuarial Assumptions

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

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

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

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

#### 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 are 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 \$10,592 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 \$32,929. 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 \$4,994.

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 4,707	\$ -
Changes of assumptions	4,353	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>5,296</u>	<u>-</u>
Total	\$ <u><u>14,356</u></u>	\$ <u><u>-</u></u>

\$5,296 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	-

\$5,296 paid as benefits came due and \$319 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 35,208	\$ 32,929	\$ 30,904

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

	2021
Beginning balance	\$ 29,786
Service cost	1,038
Interest on the total pension liability	798
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	6,182
Changes of assumptions or other inputs	5,717
Benefit payments	( 10,592)
Other changes	-
Ending balance of the total pension liability	\$ <u>32,929</u>

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

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

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

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

	LGERS \$	LEOSSA \$	TOTAL \$
Pension expense	17,592	4,994	22,586
Pension liability	53,601	32,929	86,530
Proportionate share of the net pension liability	0.00150%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	6,769	4,707	11,476
Changes of assumptions	3,989	4,353	8,342
Net difference between projected and actual earnings on plan investments	7,543	-	7,543
Changes in proportion and differences between contributions and proportionate share of contributions	7,148	-	7,148
Benefit payments and administrative costs paid subsequent to the measurement date	11,446	5,296	16,742
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,117	-	7,117

### **c. Other Post-employment Benefits (OPEB)**

#### **Healthcare Benefits**

##### Plan Description

Under the terms of a Town resolution, the Town administers a single employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System), have at least five years of creditable service with the Town, and retire at the age of 55 years old or older.

##### Benefits Provided

The Town pays the full cost of coverage for these benefits through private insurers for retirees with 20 years or more of service, 75% of the cost for retirees after 15 years, but less than 20 years of service and 50% of the cost for retirees after 10 years, but less than 20 years of service. Health benefits will be available to be paid by retirees at the current rate for retirees with 5 years but less than 10 years of service. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the Retiree Health Plan consisted of the following at December 31, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Inactive members or beneficiaries currently receiving benefits	2	1
Inactive members entitled to but not yet receiving benefits	0	0
Active members	<u>1</u>	<u>0</u>
Total Membership	<u>3</u>	<u>1</u>

##### Total OPEB Liability

The Town’s total OPEB liability of \$493,784 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2020 actuarial valuation was determined using

the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General employees	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bond Index Rate	
Prior measurement date	3.50 percent
Measurement date	2.21 percent
Health care cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00 percent
Vision	2.50 percent

The discount rate is based on the yield of the S & P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ <u>421,352</u>
Changes for the year	
Service cost	5,861
Interest	14,542
Changes of benefit terms	-
Differences between expected and actual experience	( 10,226)
Changes in assumptions or other inputs	85,933
Benefit payments	( <u>23,678</u> )
Net changes	<u>72,432</u>
Balance at June 30, 2021	\$ <u><u>493,784</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.18% to 2.21%.

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to Health Care Cost Trend Rates

The following exhibit presents the TOL of the Plan, determined using current health care cost trend rates, as well as what the Plan's TOL would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates

**Health Care Cost – Trend Rate Sensitivity**

	1% <u>Decrease</u>	<u>Current</u>	1% <u>Increase</u>
Total OPEB liability	\$ 419,091	\$ 493,784	\$ 586,421

Sensitivity of the total OPEB liability to Discount Rates

The following exhibit presents the TOL of the Plan, determined using the discount rate of 2.21%, as well as what the Plan's TOL would be if it were determined using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% <u>Decrease</u> <u>(1.21%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(2.21%)</u>	1% <u>Increase</u> <u>(3.21%)</u>
Total OPEB liability	\$ 578,707	\$ 493,784	\$ 425,224

***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 \$30,085. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Revenues</u></b>	<b><u>Deferred Inflows of Revenues</u></b>
Differences between expected and actual experience	\$ -	\$ 6,666
Changes of assumptions	48,408	167
Benefit payments and administrative costs made subsequent to the measurement date	<u>5,064</u>	<u>-</u>
Total	\$ <u>53,472</u>	\$ <u>6,833</u>

\$5,064 reported as deferred outflows of resources related to OPEB 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2022	\$ 31,986
2023	9,589
2024	-
2025	-
2026	-
Thereafter	-

### **Deferred Outflows and Inflows of Resources**

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

Contributions to pension plan in current fiscal year	\$ 11,446
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	5,296
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	5,064
Differences between expected and actual experience	19,019
Changes of assumptions	56,750
Changes in proportion and differences between employer contributions and proportional share of contributions	<u>7,148</u>
Total	<u>\$ 104,723</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	-	9,769
Changes in assumptions	167	-
Difference between expected and actual experience	6,666	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>7,117</u>	<u>-</u>
Total	<u>\$ 13,950</u>	<u>\$ 9,769</u>

### **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town obtains insurance through a private insurance carrier. The Town obtains general liability, law enforcement and auto liability coverage of \$1 million per occurrence, public official's liability coverage of \$1 million per occurrence and property coverage up to the total insurance values of the property policy. Workers' compensation coverage up to statutory limits is obtained through the North Carolina League of Municipalities. The property liability has an aggregate limit for the total property losses in a single year.



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

The Town does not carry flood insurance. The Town is in an area of the State located in Flood Zones B, C, and X, which are flood rate zones that correspond to areas outside the one percent annual chance floodplain.

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 private insurance carrier. The Tax Collector is individually bonded for \$50,000, the Finance Officer and remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

#### **Changes in General Long-Term Liabilities**

	Balance 06/30/20 \$	Increase \$	Decrease \$	Balance 06/30/21 \$	Current Portion \$
Compensated absences	11,133	6,640	7,636	10,137	6,046
Other postemployment benefits	421,352	72,432		493,784	0
Total pension liability (LEO)	29,786	3,143		32,929	10,592
Net pension liability (LGERS)	<u>58,442</u>	<u></u>	<u>4,841</u>	<u>53,601</u>	<u>0</u>
	<u>520,713</u>	<u>82,215</u>	<u>12,477</u>	<u>590,451</u>	<u>16,638</u>

Compensated absences for governmental activities typically have been liquidated in the general fund.

On June 30, 2021, the Town had a legal debt margin of \$6,002,579.

#### **C. Fund Balance**

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

<i>Total fund balance – General Fund</i>	<i>\$ 1,073,354</i>
Less:	
Non spendable prepaid expenses	8,614
Stabilization by State Statute	103,410
Streets – Powell Bill	66,679
Public Safety	1,067
Appropriated Fund Balance in 2021-2022 Budget	32,728
Restricted – Cultural & Recreational	4,960
Restricted – Downtown Activities	10,948
Remaining Fund Balance	844,948

**Note 4.**  
**Jointly Governed**  
**Organizations**

**Western Piedmont Council of Governments**

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four (24) municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The Town paid membership dues of \$802 during the fiscal year ended June 30, 2021.

**Note 5.**  
**Summary of Disclosure**  
**of Significant**  
**Contingencies**

**Federal and State Assisted Programs**

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

**Note 6.**  
**Related Party**  
**Transaction**

The Town of Catawba is insured with Catawba Insurance Agency, LLC in Catawba, North Carolina. Patrick Laney, a council member, is President of the company. The Town has complied with N.C.G.S. 14-234, posting quarterly, in Town Hall, the amounts paid to Catawba Insurance totaling \$14,695.

**Note 7.**  
**Subsequent Events**

Management has evaluated subsequent events through November 9, 2021, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

# **Required Supplementary Information**

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This section contains additional information required by generally accepted accounting principles.

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- \* Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
- \* Schedule of Contributions to Local Government Employees' Retirement System**
- \* Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance**
- \* Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance**
- \* Schedule of Changes in the Total OPEB Liability**

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Town of Catawba's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years \***

**Local Government Employees' Retirement System**

	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Catawba's proportion of the net pension liability (asset) (%)	0.00150%	0.00214%	0.00081%	0.00093%	0.00101%	0.00214%	0.00254%	0.00420%
Catawba's proportion of the net pension liability (asset) (\$)	\$ 53,601	\$ 58,442	\$ 19,216	\$ 14,208	\$ 21,436	\$ 9,604	\$( 14,980)	\$ 50,626
Catawba's covered payroll	\$ 124,017	\$ 110,467	\$ 68,042	\$ 88,182	\$ 87,829	\$ 117,467	\$ 147,564	\$ 147,564
Catawba's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.22%	52.90%	28.24%	16.10%	24.41%	8.18%	( 10.15%)	34.31%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

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

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**TOWN OF CATAWBA, NORTH CAROLINA**  
**Town of Catawba's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

	<b>Local Government Employees' Retirement System</b>							
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually required contribution	\$ 11,446	\$ 11,140	\$ 8,561	\$ 5,105	\$ 6,393	\$ 5,903	\$ 8,495	\$ 10,699
Contributions in relation to the contractually required contribution	<u>11,446</u>	<u>11,140</u>	<u>8,561</u>	<u>5,105</u>	<u>6,393</u>	<u>5,903</u>	<u>8,495</u>	<u>10,699</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Catawba's covered payroll	\$ 111,583	\$ 124,017	\$ 110,467	\$ 68,042	\$ 88,182	\$ 87,829	\$ 117,467	\$ 147,564
Contributions as a percentage of covered payroll	10.26%	8.98%	7.75%	7.50%	7.25%	6.72%	7.23%	7.25%

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**TOWN OF CATAWBA, 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	\$ 29,786	\$ 38,727	\$ 47,985	\$ 55,523	\$ 64,442
Service Cost	1,038	-	-	-	-
Interest on the total pension liability	798	1,217	1,349	1,939	2,112
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	6,182	281	326	355	-
Changes of assumptions or other inputs	5,717	153	( 341)	760	( 439)
Benefit payments	( 10,592)	( 10,592)	( 10,592)	( 10,592)	( 10,592)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	\$ <u>32,929</u>	\$ <u>29,786</u>	\$ <u>38,727</u>	\$ <u>47,985</u>	\$ <u>55,523</u>

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



**TOWN OF CATAWBA, 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	\$ 32,929	\$ 29,786	\$ 38,727	\$ 47,985	\$ 55,523
Covered payroll	-	-	-	-	-
Total pension liability as a percentage of covered payroll	0%	0%	0%	0%	0%

Notes to the schedules:

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

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Last Four Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 5,861	\$ 5,917	\$ 6,193	\$ 6,853
Interest	14,542	16,777	17,049	16,522
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	( 10,226)	( 7,154)	( 5,429)	( 24,210)
Changes of assumptions	85,933	( 1,325)	( 21,840)	( 40,546)
Benefit payments	( 23,678)	( 47,819)	( 39,512)	( 17,895)
Net change in total OPEB liability	72,432	( 33,604)	( 43,539)	( 59,276)
Total OPEB liability – beginning	<u>421,352</u>	<u>454,956</u>	<u>498,495</u>	<u>557,771</u>
Total OPEB liability – ending	<u>\$ 493,784</u>	<u>\$ 421,352</u>	<u>\$ 454,956</u>	<u>\$ 498,495</u>
Covered payroll	n/a	n/a	n/a	n/a
Total OPEB liability as a percentage of covered payroll	n/a	n/a	n/a	n/a

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	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

## **Governmental Activities Major Funds**

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**General Fund** – The General Fund is the main operating fund of the Town. This fund is used to account for all financial resources traditionally associated with governmental activities which are not required legally or by sound financial management to be accounted for in another fund.

**General Fund Capital Reserve Fund** – This fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects.

**TOWN OF CATAWBA, NORTH CAROLINA****General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

For the Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	354,184	426,166	71,982
Prior years	9,600	10,018	418
Penalties and interest	<u>4,000</u>	<u>3,712</u>	( 288)
Total	<u>367,784</u>	<u>439,896</u>	<u>72,112</u>
Unrestricted intergovernmental:			
Local option sales tax	125,375	195,328	69,953
Telecommunications sales tax	10,000	8,841	( 1,159)
Utility sales tax	31,540	41,137	9,597
Piped natural gas sales tax	200	305	105
Video franchise fee	3,275	3,211	( 64)
Beer and wine tax	<u>2,600</u>	<u>2,548</u>	( 52)
Total	<u>172,990</u>	<u>251,370</u>	<u>78,380</u>
Restricted intergovernmental:			
Powell Bill allocation	17,970	19,722	1,752
Investment earnings			
- Powell Bill		7	7
Solid waste disposal tax	400	456	56
Federal grant	<u>51,114</u>	<u>49,278</u>	( 1,836)
Total	<u>69,484</u>	<u>69,463</u>	( 21)
Permits and fees:			
Officer fees	500	1,058	558
Permits	<u>400</u>	<u>1,025</u>	<u>625</u>
Total	<u>900</u>	<u>2,083</u>	<u>1,183</u>
Sales and services:			
Rental income	12,600	13,300	700
Solid waste	50,580	54,908	4,328
Recreation department fees	<u>100</u>	<u>100</u>	<u>0</u>
Total	<u>63,280</u>	<u>68,308</u>	<u>5,028</u>
Investment earnings	<u>2,000</u>	<u>59</u>	( 1,941)

**TOWN OF CATAWBA, NORTH CAROLINA****General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

For the Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive (Negative) \$</b>
Miscellaneous:			
Donations	300	300	
Downtown activities		8,785	8,785
Miscellaneous	<u>1,500</u>	<u>1,482</u>	( <u>18</u> )
Total	<u>1,800</u>	<u>10,567</u>	<u>8,767</u>
 Total revenues	 <u>678,238</u>	 <u>841,746</u>	 <u>163,508</u>
 <b>Expenditures:</b>			
General government:			
Administration:			
Salaries and employee benefits	155,400	139,007	16,393
Contracted services	60,477	61,192	( 715)
Professional services	23,960	23,587	373
Repairs and maintenance	7,000	9,713	( 2,713)
Economic	9,000	8,940	60
Utilities	11,775	10,082	1,693
Other operating expenditures	<u>52,129</u>	<u>34,382</u>	<u>17,747</u>
Total general government	<u>319,741</u>	<u>286,903</u>	<u>32,838</u>
 Public safety:			
Police department:			
Salaries and employee benefits	76,750	73,176	3,574
Vehicles and equipment			
maintenance	14,520	12,764	1,756
Non capital outlay	25,457	22,746	2,711
Contracted services	6,630	5,612	1,018
Supplies	11,260	10,618	642
Other operating expenditures	<u>7,848</u>	<u>6,760</u>	<u>1,088</u>
Total	<u>142,465</u>	<u>131,676</u>	<u>10,789</u>

**TOWN OF CATAWBA, NORTH CAROLINA****General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

For the Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
Fire department:			
Contracted services	82,556	82,556	
Other operating expenditures	<u>2,425</u>	<u>2,127</u>	<u>298</u>
Total	<u>84,981</u>	<u>84,683</u>	<u>298</u>
Total public safety	<u>227,446</u>	<u>216,359</u>	<u>11,087</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	76,065	74,813	1,252
Vehicles and equipment			
maintenance	12,000	5,416	6,584
Street maintenance	27,970	11,236	16,734
Utilities – street lights	39,660	26,565	13,095
Contracted services	9,000	2,198	6,802
Capital outlay	2,000		2,000
Other operating expenditures	<u>20,670</u>	<u>12,324</u>	<u>8,346</u>
Total transportation	<u>187,365</u>	<u>132,552</u>	<u>54,813</u>
Environmental protection:			
Contacted services	36,729	36,498	231
Sanitation recycling	14,558	14,558	
Other operating expenditures	<u>1,600</u>	<u>1,307</u>	<u>293</u>
Total environmental protection	<u>52,887</u>	<u>52,363</u>	<u>524</u>
Cultural and recreation:			
Veteran's garden	900	900	
Utilities – lights	3,000	2,548	452
Downtown activities	7,500	2,120	5,380
Other operating expenditures	<u>1,425</u>	<u>445</u>	<u>980</u>
Total cultural and recreation	<u>12,825</u>	<u>6,013</u>	<u>6,812</u>
Total expenditures	<u>800,264</u>	<u>694,190</u>	<u>106,074</u>
Revenues over (under) expenditures	( <u>122,026</u> )	<u>147,556</u>	<u>269,582</u>

**TOWN OF CATAWBA, NORTH CAROLINA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
For the Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Other financing sources:</b>			
Proceeds from sale of capital assets	<u>8,200</u>	<u>13,250</u>	<u>5,050</u>
Total other financing sources	<u>8,200</u>	<u>13,250</u>	<u>5,050</u>
Fund balance appropriated	<u>113,826</u>	<u>          </u>	( <u>113,826</u> )
Net change in fund balance	<u><u>0</u></u>	160,806	<u>160,806</u>
Fund balance, beginning		<u>912,548</u>	
Fund balance, ending		<u>1,073,354</u>	

**TOWN OF CATAWBA, NORTH CAROLINA**  
**Capital Projects Fund – General Fund Capital Reserve Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
For the Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Revenues:</b>			
Interest income	<u>          </u>	<u>      53</u>	<u>      53</u>
Net change in fund balance	<u>      0</u>	53	<u>      53</u>
Fund balance, beginning		<u>343,959</u>	
Fund balance, ending		<u>344,012</u>	



## **Other Schedules**

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This section contains additional information on property taxes.

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**\* Schedule of Ad Valorem Taxes Receivable**

**\* Analysis of Current Tax Levy**

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**TOWN OF CATAWBA, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
June 30, 2021

	Uncollected Balance June 30, 2020 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2021 \$
Fiscal Year					
2020 - 2021		435,187	426,166	( 1,398)	7,623
2019 - 2020	9,355		6,991		2,364
2018 - 2019	2,508		865		1,643
2017 - 2018	2,620		526		2,094
2016 - 2017	1,799		412		1,387
2015 - 2016	1,634		393		1,241
2014 - 2015	1,692		264		1,428
2013 - 2014	2,024		199	( 62)	1,763
2012 - 2013	2,267		122	( 56)	2,089
2011 - 2012	2,137		126	( 8)	2,003
2010 - 2011	<u>2,182</u>		<u>120</u>	<u>( 2,062)</u>	<u>0</u>
Total	<u>28,218</u>	<u>435,187</u>	<u>436,184</u>	<u>( 3,586)</u>	23,635
Less, allowance for uncollectible ad valorem taxes receivable					<u>( 13,866)</u>
Ad valorem taxes receivable – net					<u>9,769</u>
<b>Reconciliation with revenues:</b>					
Taxes - ad valorem - General Fund - current year					426,166
Taxes - ad valorem - General Fund - prior years					<u>10,018</u>
Total					<u>436,184</u>

**TOWN OF CATAWBA, NORTH CAROLINA****Analysis of Current Tax Levy**

June 30, 2021

	<b>Town Wide</b>			<b>Total Levy</b>	
	<u>Property Valuation</u> \$	<u>Rate</u>	<u>Total Levy</u> \$	Property excluding Registered Motor Vehicles \$	Registered Motor Vehicles \$
<b>Original Levy:</b>					
Property tax at current year's rate	75,032,241	.58	435,187	388,044	47,143
Releases, refunds, additions and adjustments	( <u>241,034</u> )	.58	( <u>1,398</u> )	( <u>1,062</u> )	( <u>336</u> )
Total property valuation	<u>74,791,207</u>		433,789	386,982	46,807
Uncollected taxes at June 30, 2021			( <u>7,623</u> )	( <u>7,623</u> )	
Current year's taxes collected			<u>426,166</u>	<u>379,359</u>	<u>46,807</u>
Current levy collection percentage			<u>98.24%</u>	<u>98.03%</u>	<u>100.00%</u>

