

**REVIEWED**

*By SLGFD at 10:35 am, Oct 22, 2021*

**Town of Cooleemee  
Cooleemee, North Carolina  
For the year ended  
June 30, 2021**

**Independent Auditor's Reports  
Basic Financial Statements  
And  
Information Accompanying the  
Basic Financial Statements**

## **Governance**

**Jessica Almond, Mayor**

### **Town Commissioners**

**Don Cover  
Jeannie Taylor  
Michael White  
Andy Reavis**

### **Administrative Staff**

**Aaron Thies, Clerk/Finance**

**Town of Cooleemee**

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**June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council  
Town of Cooleemee  
Cooleemee, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Cooleemee, 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 Cooleemee's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Cooleemee, North Carolina as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 11, and Law Enforcement Officers' Special Separation Allowance Schedules of Funding

Progress and Employer Contributions on pages 39 through 40, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 41 through 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cooleemee's basic financial statements. The individual fund statements, budgetary schedules, other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, 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 our opinion, the individual fund statements, budgetary schedules, other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 on our consideration of the Town of Cooleemee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Cooleemee's internal control over financial reporting and compliance.

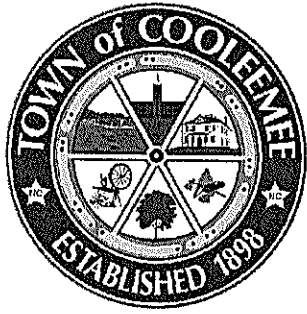
#### **Emphasis of Matter**

As discussed in Note V to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC

A handwritten signature in black ink, appearing to read 'Eddie Carrick', followed by the letters 'CPA' in a stylized, cursive-like font.

Lexington, North Carolina  
September 15, 2021



## *Town of Cooleemee*

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**MAYOR**  
Jessica Almond

**COMMISSIONERS**  
Don Cover, Andy Reavis  
Michael White, Jeannie Taylor

**CLERK/FINANCE**  
Aaron Thies

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

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

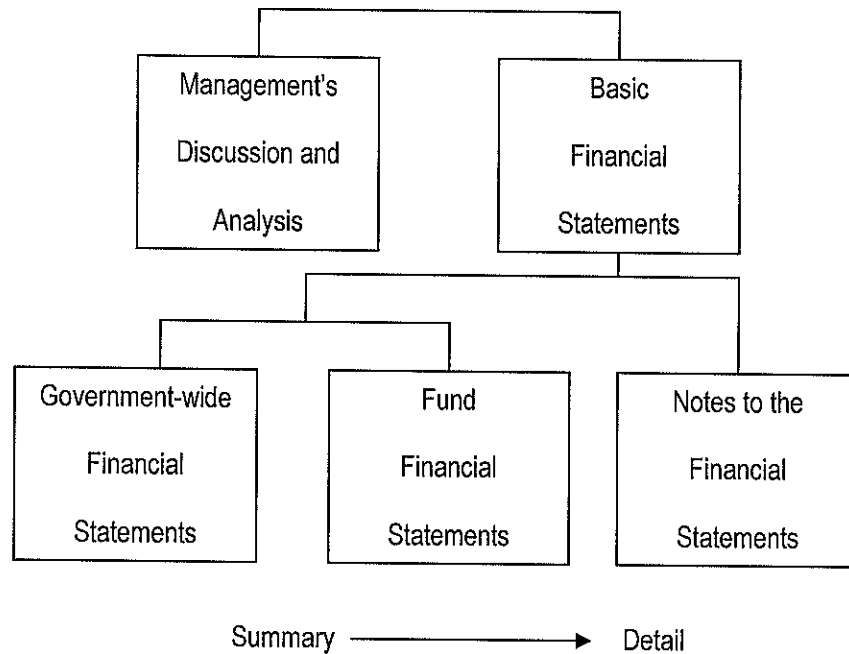
#### **Financial highlights**

- The assets and deferred outflows of resources of the Town of Cooleemee exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,787,302 (*net position*).
- The Town's total net position increased by \$146,011, primarily due to increases in governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Cooleemee's Governmental Funds reported an ending fund balance of \$1,027,213 with a net increase of \$69,533 in fund balance. Approximately 11 percent of this total amount, or \$109,365, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$917,849, or 190 percent of total General Fund expenditures for the fiscal year.
- The Town of Cooleemee's total debt increased by \$5,246 during the current fiscal year due to increases in compensated absences of \$1,115, an increase LEO Separation Allowance of \$8,721, and a decrease in pension liability of \$4,590.

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

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

**Required Components of Annual Financial Report**  
**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibit 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) the proprietary fund statements.

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



### **Government-Wide Financial Statements**

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

The two government-wide statements report the Town's net position and how 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 and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements include one category: governmental activities. The governmental activities include most of the Town's basic services such as safety, parks and recreation, 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 group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cooleemee, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Cooleemee are part of the governmental funds category.

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

Management Discussion and Analysis  
Town of Cooleemee

The Town of Cooleemee adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the 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 in the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Notes to the Financial Statements** – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 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 government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis  
Town of Cooleemee

Town of Cooleemee's Net Position (Figure 2)

	June 30, 2021 and 2020			
	Governmental Activities		Total	
	2021	2020	2021	2020
Current and other assets	\$ 1,057,408	\$ 987,577	\$ 1,057,408	\$ 987,577
Capital assets	744,818	659,671	744,818	659,671
Deferred outflows of resources	30,025	31,198	30,025	31,198
Total assets and deferred outflows of resources	1,832,251	1,678,446	1,832,251	1,678,446
Long-term Liabilities	38,410	33,164	38,410	33,164
Other Liabilities	449	1,995	449	1,995
Deferred inflows of resources	6,089	1,997	6,089	1,997
Total liabilities and deferred inflows of resources	44,948	37,156	44,948	37,156
Net position:				
Net investment in capital assets	744,818	659,671	744,818	659,671
Restricted for:				
Stabilization by State Statute	35,842	38,710	35,842	38,710
Streets	37,602	133,503	37,602	133,503
Unrestricted	969,040	809,407	969,040	809,407
Total net position	\$ 1,787,302	\$ 1,641,292	\$ 1,787,302	\$ 1,641,291

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$1,787,302 as of June 30, 2021. The Town's net position increased by \$146,011 for the fiscal year ended June 30, 2021. However, the largest portion \$744,818 (42%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Cooleemee's net position \$73,444, (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$969,040 (54%) is unrestricted.

Management Discussion and Analysis  
Town of Cooleemee

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

- A conservative approach to spending by management.
- Significant paving/maintenance of roads.

**Town of Cooleemee's Changes in Net Position (Figure 3)**  
**For the Years Ended June 30, 2021 and 2020**

	<i>Governmental Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenues				
Program revenues:				
Charges for services	\$ 65,257	\$ 66,463	\$ 65,257	\$ 66,463
Operating grants and contributions	26,015	27,563	26,015	27,563
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	153,181	167,072	153,181	167,072
Other taxes	199,629	198,922	199,629	198,922
Grants and contributions not restricted to specific programs	50,723	52,762	50,723	52,762
Other	59,435	53,178	59,435	53,178
Total revenues	<u>554,240</u>	<u>565,960</u>	<u>554,240</u>	<u>565,960</u>
Expenses:				
General government	127,285	117,891	127,285	117,891
Public safety	159,270	155,976	159,270	155,976
Transportation	48,369	26,347	48,369	26,347
Environmental protection	64,468	64,023	64,468	64,023
Cultural and recreational	8,837	10,284	8,837	10,284
Interest on long-term debt	-	-	-	-
Total expenses	<u>408,229</u>	<u>374,521</u>	<u>408,229</u>	<u>374,521</u>
Increase (decrease) in net position	146,011	191,440	146,011	191,440
Net position, Beginning	1,641,292	1,449,852	1,641,292	1,449,852
Net position, June 30	<u>\$ 1,787,302</u>	<u>\$ 1,641,292</u>	<u>\$ 1,787,302</u>	<u>\$ 1,641,292</u>

## Management Discussion and Analysis Town of Cooleemee

**Governmental activities** – Governmental activities increased the Town's net position by \$146,011. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Increased efforts to maximize tax collections contributed to the favorable net position. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

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

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Cooleemee's fund balance available in the General Fund was \$917,849, while total fund balance reached \$1,027,213. The Town currently has an available fund balance of 190% of general fund expenditures, while total fund balance represents 213% of the same amount.

At June 30, 2021, the governmental funds of the Town of Cooleemee reported a fund balance of \$1,027,213, with a net increase in fund balance of \$69,533. Included in this change in fund balance are increases in fund balance of the General Fund.

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

Although expenditures were held in check overall to comply with its budgetary requirements, the Town did amend the budget in the General Government and Transportation departments to account for unexpected expenditures and road paving/maintenance.

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

**Capital assets.** The Town's investment in capital assets for its governmental activities as of June 30, 2021, totals \$744,818 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year consisted of \$98,190 of road paving and resurfacing.

Management Discussion and Analysis  
Town of Cooleemee

Town of Cooleemee's Capital Assets (net of depreciation) (Figure 4)  
As of June 30, 2021 and 2020

	<i>Governmental activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land	\$ 340,633	\$ 340,633	\$ 340,633	\$ 340,633
Construction in progress	-	-	-	-
Buildings	8,288	9,945	8,288	9,945
Infrastructure	395,897	309,093	395,897	309,093
Equipment	-	-	-	-
Vehicles	-	-	-	-
	<u>\$ 744,818</u>	<u>\$ 659,671</u>	<u>\$ 744,818</u>	<u>\$ 659,671</u>

Additional information on the Town's capital assets can be found in Note II.A.2 of the Basic Financial Statements.

#### Long-term Debt.

The Town of Cooleemee's total debt increased by \$5,246 during the current fiscal year due to increases in compensated absences of \$1,115, an increase LEO Separation Allowance of \$8,721, and a decrease in pension liability of \$4,590.

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 Cooleemee is \$2,864,819.

Additional information regarding the Town of Cooleemee's long-term debt can be found in Note II.B.5 of this report.

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

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

- The Town of Cooleemee is located in Davie County, North Carolina. The economy is average in Davie County with an unemployment rate of 6.1%, which is slightly below the State average of 7.3% at June 30, 2021.

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

**Governmental Activities:** The tax rate for fiscal year June 30, 2022 will remain unchanged at \$.42 per one hundred dollars valuation. Sales tax revenue is expected to decrease an additional 10% due to the restructuring of the method of distribution of sales tax revenues by the County of Davie. The expected amount to be distributed to the Town will be 40% of the actual collected sales tax. The Town will continue to use these revenues to finance programs currently in place. The Town has restructured its budget to fit the Town's needs going forward so not to interrupt services provided by the Town.

The Town is looking at a recreational grant option to help provide new playground equipment at the park to replace the deteriorating current wooden structure.

The Town has chosen not to appropriate fund balance in the fiscal year 2022 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$.01 increase in the property tax rate will result in additional revenues of approximately \$3,389 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

**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 Financial Officer, Town of Cooleemee, P.O. Box 1080, Cooleemee, NC 27014.

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

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash & cash equivalents	\$ 954,219	\$ 954,219
Taxes receivable	26,595	26,595
Solid waste receivable	3,150	3,150
Accounts receivable	35,842	35,842
Restricted cash & cash equivalents	37,602	37,602
	<u>1,057,408</u>	<u>1,057,408</u>
Capital assets:		
Land and construction in progress	340,633	340,633
Other capital assets, net of depreciation	404,185	404,185
	<u>744,818</u>	<u>744,818</u>
Total assets	<u>1,802,225</u>	<u>1,802,225</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals - LGERS	19,325	19,325
Pension deferrals - LEOSSA	10,700	10,700
Total deferred outflows of resources	<u>30,025</u>	<u>30,025</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	449	449
Current portion of long-term debt	-	-
	<u>449</u>	<u>449</u>
Long-term liabilities:		
LGERS pension liability	16,438	16,438
LEO separation allowance	20,273	20,273
Compensated absences	1,699	1,699
	<u>38,410</u>	<u>38,410</u>
Total liabilities	<u>38,859</u>	<u>38,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
LGERS pension deferrals	3,637	3,637
LEO deferrals	2,452	2,452
Total deferred inflows of resources	<u>6,089</u>	<u>6,089</u>
<b>NET POSITION</b>		
Net investment in capital assets	744,818	744,818
Restricted for:		
Stabilization by State Statute	35,842	35,842
Streets	37,602	37,602
Unrestricted net position	969,040	969,040
Total net position	<u>\$ 1,787,302</u>	<u>\$ 1,787,302</u>

The accompanying notes are an integral part of the financial statements



## Town of Cooleemee, North Carolina

## Statement of Activities

For the Year Ended June 30, 2021

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Total
					Governmental Activities	
Primary government:						
Governmental activities:						
General government	\$ 127,285	\$ -	\$ -	\$ -	\$ (127,285)	\$ (127,285)
Public safety	159,270	1,450	-	-	(157,820)	(157,820)
Transportation	48,369	-	26,015	-	(22,354)	(22,354)
Environmental protection	64,468	63,807	-	-	(661)	(661)
Cultural and recreational	8,837	-	-	-	(8,837)	(8,837)
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	<u>408,229</u>	<u>65,257</u>	<u>26,015</u>	<u>-</u>	<u>(316,957)</u>	<u>(316,957)</u>
Total primary government	<u>\$ 408,229</u>	<u>\$ 65,257</u>	<u>\$ 26,015</u>	<u>\$ -</u>	<u>(316,957)</u>	<u>(316,957)</u>

## General revenues:

## Taxes:

Ad valorem taxes	153,181	153,181
Other taxes and licenses	199,629	199,629
Unrestricted intergovernmental revenues	50,723	50,723
Restricted intergovernmental revenues	-	-
Sales and services	-	-
Investment earnings	5	5
Other revenue	59,430	59,430
Total general government revenues	<u>462,968</u>	<u>462,968</u>

Change in net position	146,011	146,011
Net position, beginning, previously reported	<u>1,641,292</u>	<u>1,641,292</u>
Net position, ending	<u>\$ 1,787,302</u>	<u>\$ 1,787,302</u>

The accompanying notes are an integral part of the financial statements

**Town of Cooleemee, North Carolina**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2021**

	<u>Major Funds</u>	
	<u>General</u>	<u>Total Governmental Fund</u>
<b>Assets</b>		
Cash & investments -- unrestricted	\$ 954,219	\$ 954,219
Restricted cash	37,602	37,602
Taxes receivable	26,595	26,595
Solid waste receivable	3,150	3,150
Accounts receivable	35,842	35,842
Total assets	<u>\$ 1,057,408</u>	<u>\$ 1,057,408</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable & accrued liabilities	\$ 449	\$ 449
Total liabilities	<u>449</u>	<u>449</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	26,595	26,595
Solid waste receivable	3,150	3,150
Total deferred inflows of resources	<u>29,745</u>	<u>29,745</u>
Fund balance:		
Restricted:		
Stabilization by State Statute	35,842	35,842
Streets	37,602	37,602
Assigned:		
Public pool construction	35,921	35,921
Unassigned	917,849	917,849
Total fund balance	<u>1,027,213</u>	<u>1,027,213</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,057,408</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		744,818
Deferred outflows of resources related to LGERS pensions are not reported in the funds		19,325
Deferred outflows of resources related to LEO are not reported in the funds		10,700
Liabilities for earned revenues considered deferred inflows of resources in fund statements		29,745
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
LGERS pension liability		(16,438)
LEO Separation Allowance		(20,273)
Compensated absences		(1,699)
Deferred inflows of resources related to LGERS pensions are not reported in the funds		(3,637)
Deferred inflows of resources related to LEO are not reported in the funds		(2,452)
Net position of governmental activities		<u>\$ 1,787,302</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Fund</u>
<b>Revenues:</b>		
Ad valorem taxes	\$ 151,338	\$ 151,338
Other taxes and licenses	199,629	199,629
Unrestricted intergovernmental revenues	50,723	50,723
Restricted intergovernmental revenues	26,015	26,015
Sales and services	-	-
Investment earnings	5	5
Other revenue	124,687	124,687
	<u>552,397</u>	<u>552,397</u>
<b>Expenditures:</b>		
General government	127,285	127,285
Public Safety	148,758	148,758
Transportation and utilities	135,172	135,172
Environmental protection	64,468	64,468
Parks and recreation	7,180	7,180
Debt service	-	-
Total expenditures	<u>482,863</u>	<u>482,863</u>
Excess (deficiency) of revenues over expenditures	<u>69,533</u>	<u>69,533</u>
<b>Other financing sources (uses):</b>		
Proceeds from long-term debt	-	-
Appropriated fund balance	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>69,533</u>	<u>69,533</u>
Fund balance - beginning of year	<u>957,680</u>	<u>957,680</u>
Fund balance - end of year	<u>\$ 1,027,213</u>	<u>\$ 1,027,213</u>

The accompanying notes are an integral part of the financial statements

**Town of Cooleemee, 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 statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	69,533
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay	\$	98,190	
Depreciation		<u>(13,044)</u>	85,146

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	2,397
Change in unavailable revenue for solid waste revenues	(554)

Change in pension expense

Changes in net pension assets	-	
Changes in deferred outflows-LGERS	(7,747)	
Changes in deferred outflows-LEOSSA	6,574	
Changes in net pension liability-LGERS	4,590	
Changes in net pension liability-LEOSSA	(8,721)	
Changes in deferred outflows-LEOSSA	(455)	
Changes in deferred outflows-LGERS	<u>(3,637)</u>	(9,396)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Loan proceeds	-	
Debt payment	<u>-</u>	-

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	<u>(1,116)</u>
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Total changes in net position of governmental activities	\$	<u>146,011</u>
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The accompanying notes are an integral part of the financial statements

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

	Original	Final	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 145,354	\$ 145,354	\$ 151,338	\$ 5,984
Other taxes and licenses	169,000	169,000	199,629	30,629
Unrestricted intergovernmental revenues	52,000	52,000	50,723	(1,277)
Restricted intergovernmental revenues	27,500	27,500	26,015	(1,485)
Sales and services	-	-	-	-
Investment earnings	12	12	5	(7)
Other revenue	84,980	84,980	124,687	39,707
Total revenues	<u>478,846</u>	<u>478,846</u>	<u>552,397</u>	<u>73,551</u>
<b>Expenditures:</b>				
General government	149,247	158,847	127,285	31,562
Public Safety	187,638	187,738	148,758	38,980
Transportation and utilities	47,500	145,690	135,172	10,518
Environmental protection	71,100	71,100	64,468	6,632
Parks and recreation	10,830	10,830	7,180	3,650
Debt service	-	-	-	-
Contingencies	12,531	2,831	-	2,831
Total expenditures	<u>478,846</u>	<u>577,036</u>	<u>482,863</u>	<u>94,173</u>
Revenues over (under) expenditures	<u>-</u>	<u>(98,190)</u>	<u>69,533</u>	<u>167,723</u>
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	-	-	-	-
Appropriated fund balance	-	98,190	-	(98,190)
	<u>-</u>	<u>98,190</u>	<u>-</u>	<u>(98,190)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>69,533</u>	<u>\$ 69,533</u>
Fund balance, beginning of year			<u>957,680</u>	
Fund balance, end of year			<u>\$ 1,027,213</u>	

The accompanying notes are an integral part of the financial statements

***Town of Cooleemee, North Carolina***

***NOTES TO FINANCIAL STATEMENTS  
As of or for the Year Ended June 30, 2021***

***I. Summary of Significant Accounting Policies***

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

***A. Description of Unit and Reporting Entity***

The Town of Cooleemee is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town, a single entity with no other legally separate entities for which the Town is financially accountable.

***B. Basis of Presentation***

*Government-wide Statements:* The statement of net position and the statement of activities display the information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. 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 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Town reports the following major governmental fund:

***General Fund*** - The General Fund is the general operating fund of the Town. It is used to account 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, and sanitation services.

## ***Notes to the Financial Statements (continued)***

### ***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 basis of accounting.

*Government-wide and Fiduciary Fund Statements:* The government-wide and fiduciary fund 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 recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in 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 financial sources.

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

Sales taxes and certain intergovernmental revenues, such as the 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 shared revenue for the Town because the tax is levied by Davie 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.

## ***Notes to the Financial Statements (continued)***

### ***C. Measurement Focus and Basis of Accounting (continued)***

Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. 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 functional level for all annually budgeted funds. The Finance Officer is authorized by the budget ordinance to reallocate departmental transfers among the various objects of expenditures as necessary. The Finance Officer is also authorized to effect interdepartmental transfers, in the same fund, not to exceed 10% of the appropriated monies for the department whose allocation is reduced. The budget ordinance must be adopted by July 1 of the fiscal year or the governing Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The Town does not have a formal investment or credit risk policy.

#### ***2. Cash and Cash Equivalents***

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.



## ***Notes to the Financial Statements (continued)***

### **3. Restricted Assets**

Powell Bill funds are classified as restricted cash because it 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. Proceeds collected for the purchase of a police car are also restricted because of the contributor's request.

Governmental Activities		
General Fund:		
	Streets	\$ 37,602
Total Restricted Cash		<u>\$ 37,602</u>

### **4. Ad Valorem Tax 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 vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. The levy is based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

### **5. Allowance for Doubtful Accounts**

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

### **6. Inventory and Prepaid Items**

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

### **7. 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 of more than two years. Minimum capitalization costs are \$5,000 for all categories of assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 Life - Years</u>
Buildings and improvements	10-40
Equipment	5-15
Vehicles	5

## ***Notes to the Financial Statements (continued)***

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, LGERS contributions made to the pension plan in the 2021 fiscal year and LEOSA. 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 – pension deferral, property tax receivable and solid waste receivable.

### **9. Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to thirty (30) 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 policies provide 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 has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### **10. Net position / Fund Balances**

#### **Net position**

Net position in the government-wide financial statement is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

## ***Notes to the Financial Statements (continued)***

### ***10. Net position / Fund Balances (continued)***

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* - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

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

*Assigned for Public Pool* – portion of fund balance that has been budgeted by the Board for construction of a public pool. 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 Cooleemee has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

## ***Notes to the Financial Statements (continued)***

### **12. Pensions**

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

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

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

1. *Noncompliance with North Carolina General Statutes:* none

#### ***B. Excess of Expenditures over Appropriations:*** none

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

#### ***A. Assets***

##### ***1. Deposits***

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approval 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 to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

**Notes to the Financial Statements (continued)**

**1. Deposits (continued)**

At June 30, 2021, the Town's deposits had a carrying amount of \$991,721 and a bank balance of \$992,256. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$100.

**2. Capital assets** - Capital asset activity for the Governmental Activities for the year ended June 30, 2021:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental activities:				
<b>Capital assets not being depreciated:</b>				
Land	\$ 340,633	\$ -	\$ -	\$ 340,633
Park construction in progress	-	-	-	-
<b>Total Capital assets not being depreciated:</b>	<u>340,633</u>	<u>-</u>	<u>-</u>	<u>340,633</u>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	151,967	-	-	151,967
Infrastructure	357,254	98,190	-	455,444
Equipment	140,947	-	-	140,947
Vehicles	47,564	-	-	47,564
<b>Total capital assets being depreciated:</b>	<u>697,732</u>	<u>98,190</u>	<u>-</u>	<u>795,922</u>
Less, accumulated depreciation for:				
Buildings & improvements	142,023	1,658	-	143,681
Infrastructure	48,161	11,386	-	59,547
Equipment	140,949	-	-	140,949
Vehicles	47,562	-	-	47,562
<b>Total accumulated depreciation</b>	<u>378,695</u>	<u>13,044</u>	<u>-</u>	<u>391,738</u>
<b>Total capital assets being depreciated, net</b>	<u>319,037</u>			<u>404,184</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 659,671</u>			<u>\$ 744,818</u>

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

Public Safety	\$ 0
Cultural and recreational	1,658
Transportation	<u>11,386</u>
<b>Total depreciation expense</b>	<u>\$ 13,044</u>

## ***Notes to the Financial Statements (continued)***

### ***B. Liabilities:***

#### ***1. Pension Plan Obligations***

##### ***a. Local Governmental Employees' Retirement System***

*Plan Description.* The Town of Cooleemee is a participating employer in the statewide Local Governmental Employee's 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. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of GS Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplemental information for LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 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 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.

*Benefits Provided (Continued).* 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.

**Notes to the Financial Statements (continued)**

**1. Pension Plan Obligations (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2021 was 10.90% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$6,960 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 \$16,438 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 asset 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, 2021, the Town's proportion was 0.00046% (measured as of June 30, 2020), which was a decrease of 0.00031% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$13,754. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,076	\$ -
Changes of assumptions	1,223	-
Net difference between projected and actual earnings on pension plan investments	2,314	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,752	3,637
Town contributions subsequent to the measurement date	6,960	-
Total	\$ 19,325	\$ 3,637

## ***Notes to the Financial Statements (continued)***

### ***1. Pension Plan Obligations (continued)***

#### ***a. Local Governmental Employees' Retirement System (continued)***

\$6,960 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$	4,561
2023		3,116
2024		365
2025		685
2026		-
Thereafter		-
	\$	<u>8,727</u>

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

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

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

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

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



**Notes to the Financial Statements (continued)**

**1. Pension Plan Obligations (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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.

**Notes to the Financial Statements (continued)**

**1. Pension Plan Obligations (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 33,350	\$ 16,438	\$ 2,382

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

**b. Law Enforcement Officer's Special Separation Allowance**

**1. Plan description**

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

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

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	1
Total	<u>1</u>

**2. Summary of Significant Accounting Policies**

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

## ***Notes to the Financial Statements (continued)***

### ***b. Law Enforcement Officer's Special Separation Allowance (continued)***

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

#### ***3. Actuarial Assumptions***

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

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

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

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

#### ***4. Contributions.***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 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 \$20,273. 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 \$2,602

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,736	\$ 2,196
Changes of assumptions	8,964	256
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 10,700</u>	<u>\$ 2,452</u>

**Notes to the Financial Statements (continued)**

**b. Law Enforcement Officer's Special Separation Allowance (continued)**

\$0 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2022	\$ 2,694	\$ 1,044	\$ 1,650
2023	2,471	515	1,956
2024	1,423	226	1,197
2025	1,289	208	1,081
2026	1,289	208	1,081
Thereafter	1,534	251	1,283
	<u>\$ 10,700</u>	<u>\$ 2,452</u>	<u>\$ 8,248</u>

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 21,654	\$ 20,273	\$ 18,936

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

Beginning balance	\$ 11,552
Service Cost	575
Interest on the total pension liability	377
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,499)
Changes of assumptions or other inputs	9,268
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 20,273</u>

**Notes to the Financial Statements (continued)**

**b. Law Enforcement Officer's Special Separation Allowance (continued)**

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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	\$ 13,754	\$ 2,602	\$ 16,356
Pension Liability	16,438	20,273	36,711
Proportionate share of the net pension liability	0.00046%	n/a	

**Deferred of Outflows of Resources**

Differences between expected and actual experience	2,076	1,736	3,812
Changes of assumptions	1,223	8,964	10,187
Net difference between projected and actual earnings on plan investments	2,314	-	2,314
Changes in proportion and differences between contributions and proportionate share of contributions	6,752	-	6,752
Benefit payments and administrative costs paid subsequent to the measurement date	6,960	-	6,960

**Deferred of Inflows of Resources**

Differences between expected and actual experience	-	2,196	2,196
Changes of assumptions	-	256	256
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,637	-	3,637

## ***Notes to the Financial Statements (continued)***

### ***c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees***

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

*Funding Policy.* Article 12E of GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town also provided this same benefit to other eligible employees beginning on July 1, 2009.

The Town also contributes each month an amount equal to five percent of each general employee's salary, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$1,839 for the reporting year. No amounts were forfeited.

### ***d. Other Employment Benefits***

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

## **Notes to the Financial Statements (continued)**

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

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

Source	Amount
Differences between expected and actual experience	\$ 3,812
Changes of assumptions	10,187
Net difference between projected and actual earnings on pension plan investments	2,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,752
Town contributions subsequent to the measurement date	6,960
Total	<u>\$ 30,025</u>

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

	Statement of Net Position	General Fund Balance Sheet
Ad Valorem tax receivable (General Fund)	\$ -	\$ 26,595
Solid waste tax receivable (General Fund)		3,150
Differences between expected and actual experience	2,196	-
Changes in assumptions	256	-
Net difference between projected and actual investment earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportional share of contributions	3,637	-
	<u>\$ 6,089</u>	<u>\$ 29,745</u>

### **3. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$1 million per occurrence, employee benefits liability coverage of \$1 million per occurrence, public officials liability and employment practices liability coverage of \$1 million per occurrence, police professional liability coverage of \$1 million per occurrence, government crime coverage of \$10,000 per occurrence for employee dishonesty and forgery with a \$5,000 limit per occurrence for inside and outside the premises theft of money and securities, inland marine coverage of \$50,000 limit, auto liability coverage of \$1 million per occurrence, property coverage up to \$1,508,676 and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against

## **Notes to the Financial Statements (continued)**

### **3. Risk Management (continued)**

general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town has made the decision not to purchase flood insurance at this time. The Town does not deem the risk of flooding to outweigh the costs of insurance.

In accordance with GS 159-29, the Town's employees that have access to \$100 or more at any given time are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. There are no other employees with access to the finances of the Town.

### **4. Long-term Obligations**

The Town had no bonds authorized but unissued at June 30, 2021.

#### **a. Changes in Long-term Obligations**

Town of Cooleemee Changes in Long-term Obligations	Balance 6/30/20	Increases	Decreases	Balance 6/30/21	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 584	\$ 1,115		\$ 1,699	\$ -
LEO Separation Allowance	11,552	8,721	-	20,273	-
Net pension liability (LGRS)	21,028		4,590	16,438	-
Total governmental activity liabilities:	\$ 33,164	\$ 9,836	\$ 4,590	\$ 38,410	\$ -

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

At June 30, 2021, the Town of Cooleemee had no bonds issued and a legal debt margin of \$2,864,819.

### **5. Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.



**Notes to the Financial Statements (continued)**

**C. Net Investment in Capital Assets**

	<b>Governmental</b>
Capital Assets	\$ 744,818
less: long-term debt	-
add: unexpended debt proceeds	-
Net investment in capital assets	<u>\$ 744,818</u>

**D. Fund Balance**

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

<b><u>Total fund balance - General Fund</u></b>	<b><u>\$ 1,027,213</u></b>
Less:	
Stabilization by State Statute	35,842
Streets - Powell Bill	37,602
Assigned for Public Pool Construction	<u>35,921</u>
Remaining Fund Balance	917,849

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

<b><u>Encumbrances</u></b>	<b><u>General Fund</u></b>	<b><u>Non-Major Funds</u></b>
	\$0	

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

## ***Notes to the Financial Statements (continued)***

### ***V. Significant Effects of Subsequent Events***

Subsequent events occurring after the statement of financial position date have been evaluated through September 15, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

**Town of Cooleemee, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Five Fiscal Years**

	2021	2020	2019	2018	2017
Beginning balance	\$ 11,552	\$ 16,701	\$ 11,842	\$ 2,078	\$ 1,039
Service Cost	575	578	2,519	2,330	2,839
Interest on total pension liability	377	531	350	245	1,247
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,499)	(2,339)	4,139	-	(3,047)
Changes of assumptions or other inputs	9,268	306	(613)	2,907	-
Benefit payments		(4,225)	(1,536)	-	-
Other changes		-	-	4,282	-
Ending balance of the total pension liability	<u>\$ 20,273</u>	<u>\$ 11,552</u>	<u>\$ 16,701</u>	<u>\$ 11,842</u>	<u>\$ 2,078</u>

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

***Town of Cooleemee, North Carolina***  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 20,273	\$ 11,552	\$ 16,701	\$ 11,842	\$ 2,078
Covered payroll	34,857	37,017	122,534	123,535	126,369
Total pension liability as a percentage of covered payroll	58.16%	31.21%	13.63%	9.59%	1.64%

Notes to the schedules:

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

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

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cooleemee's proportion of the net pension liability (asset) (%)	0.00046%	0.00077%	0.00126%	0.00217%	0.00224%	0.00372%	0.00248%	0.00260%
Cooleemee's proportion of the net pension liability (asset) (\$)	\$ 16,438	\$ 21,028	\$ 29,892	\$ 33,152	\$ 47,540	\$ 6,463	\$ (14,262)	\$ 30,555
Cooleemee's covered-employee payroll	\$ 35,755	\$ 79,074	\$ 167,528	\$ 146,827	\$ 146,070	\$ 138,820	\$ 139,985	\$ 105,991
Cooleemee's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.97%	26.59%	17.84%	22.58%	32.55%	4.66%	( 10.19%)	28.83%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,960	\$ 5,685	\$ 11,039	\$ 23,912	\$ 20,564	\$ 20,326	\$ 18,910	\$ 18,954
Contributions in relation to the contractually required contribution	6,960	5,685	11,039	23,912	20,564	20,326	18,910	18,954
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cooleemee's covered-employee payroll	\$ 41,143	\$ 35,755	\$ 79,074	\$ 167,528	\$ 146,827	\$ 146,070	\$ 138,820	\$ 139,985
Contributions as a percentage of covered-employee payroll	16.92%	15.90%	13.96%	14.27%	14.01%	13.92%	13.62%	13.54%

**Town of Cooleemee, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>June 30, 2020 Actual</u>
<b>REVENUES:</b>				
Ad valorem taxes				
Current year		\$ 144,423		\$ 146,933
Prior year		5,347		6,933
Penalties and interest, net		1,567		3,432
	<u>\$ 145,354</u>	<u>151,338</u>	<u>\$ 5,984</u>	<u>157,298</u>
Other taxes & licenses				
Local option sales tax		199,629		198,922
	<u>169,000</u>	<u>199,629</u>	<u>30,629</u>	<u>198,922</u>
Unrestricted intergovernmental				
Franchise tax		46,668		48,577
Beer & wine tax		4,055		4,185
Tax refunds		-		-
	<u>52,000</u>	<u>50,723</u>	<u>(1,277)</u>	<u>52,762</u>
Restricted intergovernmental				
Powell refund		-		-
"State Street Aid" grant		26,015		27,563
	<u>27,500</u>	<u>26,015</u>	<u>(1,485)</u>	<u>27,563</u>
Sales and services				
Recreation grant		-		-
Other general revenues				
Solid waste fees		63,807		65,798
Officer fees/judgments		1,450		665
Cooleemee ABC Board		49,300		41,000
Cooleemee ABC Board - police		3,950		2,715
ATM rental		2,400		2,400
Sale of assets		-		1,300
Miscellaneous		3,781		5,752
	<u>84,980</u>	<u>124,687</u>	<u>39,707</u>	<u>119,629</u>
Investment earnings				
General fund		1		1
Powell bill		4		11
	<u>12</u>	<u>5</u>	<u>(7)</u>	<u>12</u>
Total revenues	<u>478,846</u>	<u>552,397</u>	<u>73,551</u>	<u>556,186</u>

**Town of Cooleemee, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>June 30, 2020 Actual</u>
<b>EXPENDITURES:</b>				
General Government				
Governing body:				
Salaries and employee benefits		\$ 10,765		\$ 11,030
Professional services		11,800		8,170
Election expense		-		3,421
Travel and training		-		534
Insurance and bonds		55		55
	<u>\$ 25,997</u>	<u>22,620</u>	<u>\$ 3,377</u>	<u>23,211</u>
Administration:				
Salaries and employee benefits		30,515		28,389
Telephone		-		-
Utilities		2,963		2,951
Supplies and expenses		5,729		6,305
Rent		900		3,600
Tax collection expense		4,083		3,572
Dues & subscriptions		2,430		1,540
Insurance and bonds		3,323		3,374
Zoning and special projects		19,468		17,374
News letter		-		416
Website		3,300		2,400
Capital outlay		-		-
	<u>86,750</u>	<u>72,711</u>	<u>14,039</u>	<u>69,921</u>
Public buildings:				
Maintenance and repairs		31,409		24,173
Community events		545		587
Capital outlay		-		-
	<u>46,100</u>	<u>31,954</u>	<u>14,146</u>	<u>24,760</u>
Total general government	<u>158,847</u>	<u>127,285</u>	<u>31,562</u>	<u>117,891</u>
Public Safety				
Police:				
Salaries and employee benefits		120,543		117,710
Operating expenses		23,215		23,983
Capital outlay		-		-
	<u>182,738</u>	<u>143,758</u>	<u>38,980</u>	<u>141,692</u>
Fire:				
Donation to fire department	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>2,500</u>
Total public safety	<u>187,738</u>	<u>148,758</u>	<u>38,980</u>	<u>144,192</u>



**Town of Cooleemee, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>June 30, 2020 Actual</u>
<b>EXPENDITURES (continued):</b>				
Transportation and Utilities				
Streets and highways:				
Street lights		\$ 13,251		\$ 14,342
Powell bill - ROW clearing		977		1,244
Powell bill - contracted services		22,754		1,830
Powell bill - capital outlay		98,190		-
Total transportation	<u>\$ 145,690</u>	<u>135,172</u>	<u>\$ 10,518</u>	<u>17,415</u>
Environmental Protection				
Solid waste disposal	<u>71,100</u>	<u>64,468</u>	<u>6,632</u>	<u>64,023</u>
Parks and Recreation				
Recreation programs		351		1,996
Donation to library		6,829		6,630
Total parks and recreation	<u>10,830</u>	<u>7,180</u>	<u>3,650</u>	<u>8,626</u>
Debt service				
Principal		-		-
Interest		-		-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingency	<u>2,831</u>	<u>-</u>	<u>2,831</u>	<u>-</u>
Total expenditures	<u>577,036</u>	<u>482,863</u>	<u>94,173</u>	<u>352,148</u>
Revenues over expenditures	<u>(98,190)</u>	<u>69,533</u>	<u>167,723</u>	<u>204,038</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt		-	-	-
Appropriated fund balance	<u>98,190</u>	<u>-</u>	<u>(98,190)</u>	<u>-</u>
	<u>98,190</u>	<u>-</u>	<u>(98,190)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>69,533</u>	<u>\$ 69,533</u>	<u>204,038</u>
Fund balances - beginning of year		<u>957,680</u>		<u>753,642</u>
Fund balances - end of year		<u>\$ 1,027,213</u>		<u>\$ 957,680</u>

**Town of Cooleemee, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021		\$ 150,403	\$ 142,333	\$ 8,070
2019-2020	\$ 8,239		3,413	4,826
2018-2019	5,391		887	4,504
2017-2018	3,537		795	2,742
2016-2017	1,343		172	1,171
2015-2016	408		173	235
2014-2015	373		438	235
2013-2014	544		28	516
2012-2013	948		77	871
2011-2012	316	310	-	626
2010-2011	582	2,217	-	2,799
2009-2010	2,217		2,217	-
	<u>\$ 24,198</u>	<u>\$ 152,930</u>	<u>\$ 150,533</u>	<u>\$ 26,595</u>

Reconciliation with revenues:  
Ad Valorem Tax - General Fund  
Other adjustments  
Total Collections & Credits

\$ 149,770  
763  
\$ 150,533

**Town of Cooleemee, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Year Ended June 30, 2021**

	Total Levy				
	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 35,810,238	0.42	\$ 150,403	\$ 125,946	\$ 24,457
Penalties	-		-	-	-
Total	35,810,238		150,403	125,946	24,457
Discoveries	-		-	-	-
Abatements	-		-	-	-
Total Property Valuation	<u>\$ 35,810,238</u>				
Net levy			150,403	125,946	24,457
Less: Uncollected Tax at June 30, 2021			8,070	8,070	-
Current Year Tax Collected			<u>\$ 142,333</u>	<u>\$ 117,876</u>	<u>\$ 24,457</u>
Percent current year collected			<u>94.63%</u>	<u>93.59%</u>	<u>100.00%</u>

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cooleemee, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Cooleemee's basic financial statements, and have issued our report thereon dated September 15, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the following paragraph that we consider to be significant deficiencies.

Due to the limited number of personnel in the Town of Cooleemee's office, there are inherent limitations to segregation of duties among Town of Cooleemee's personnel. Presently, a single individual prepares checks, reconciles bank accounts, performs all payroll duties and maintains the general ledger. Alternative controls should be used to compensate for any lack of segregation of duties. The Town of Cooleemee's governing board should provide some of these controls. Management is aware of the deficiency, but cost-benefit analysis indicates that hiring more personnel to mitigate this issue is not feasible. Management will request specific board members become more involved by providing additional oversight.

Compliance and Other Matters

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

### Town of Cooleemee's Response to Findings

The Town of Cooleemee's responses to the findings identified in our audit are described previously. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

Eddie Carrick, CPA, PC

A handwritten signature in black ink, appearing to read "Eddie Carrick".

Lexington, North Carolina  
September 15, 2021