

REVIEWED

By SLGFD at 9:38 am, Dec 03, 2021

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

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

Mayor

Larry Ward

Board

Deanna Grubb – Mayor Pro Tem

David Askew

Barbara Hogan

Julie Loflin

Scott Morris

Town of Denton

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June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Board
Town of Denton
Denton, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, LGERS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset), LEO Separation Allowance – Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll on pages 3-12 and 45-46, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 5, 2021, on my consideration of the Town of Denton, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Denton, North Carolina's internal control over financial reporting and compliance.

Emphasis of Matter

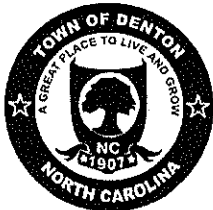
As discussed in Note VI to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot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



Eddie Carrick, CPA

Lexington, North Carolina

November 5, 2021



TOWN OF DENTON

Management's Discussion and Analysis

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

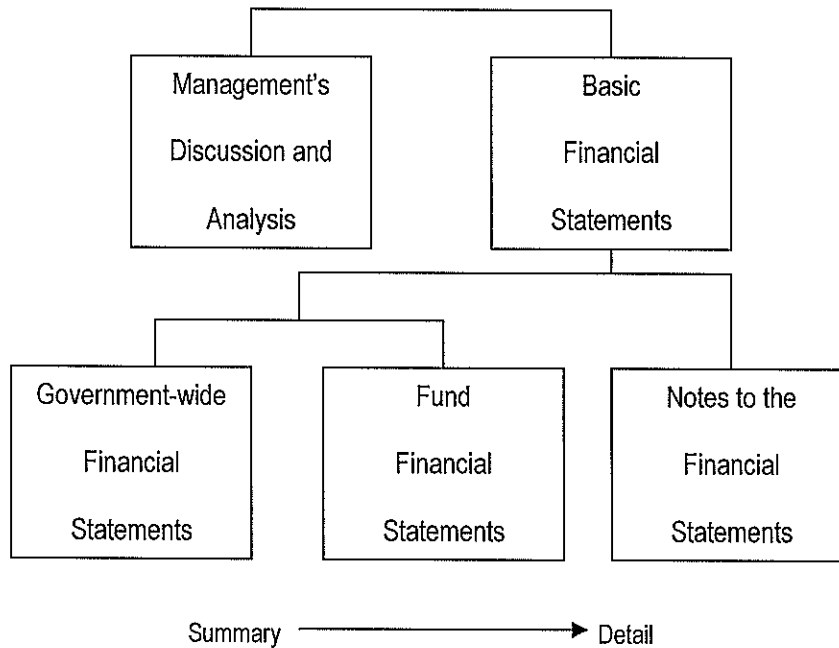
Financial highlights

- The assets and deferred outflows of resources of the Town of Denton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,482,188 (*net position*).
- The government's total net position increased by \$355,826, primarily due to increased revenues and decreased expenses in the business-type activities.
- As of the close of the current fiscal year, the Town of Denton's governmental fund reported ending fund balance of \$1,660,372 with a net increase of \$357,408 in fund balance. Approximately 17% of this total amount, or \$279,234, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,381,137 or 93% of total general fund expenditures for the fiscal year.
- The Town of Denton's total debt increased by \$31,757 due to principal payments of \$31,807 by the general fund and \$147,587 on the water and sewer debt, an increase in pension liability of \$28,728 in the general fund and \$40,151 in the water and sewer fund, an increase of LEO Separation Allowance of \$68,229 in the general fund and an increase of accrued vacation of \$6,030 in the water and sewer fund and an increase of \$4,499 in the general fund.

Overview of the Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the 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. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town.

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 Denton, 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 Denton can be divided into two categories: governmental funds and proprietary funds.

Government Funds – Government 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. Government 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 Denton

The Town of Denton 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.

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

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 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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 Denton

Government-Wide Financial Statements

Town of Denton's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 1,763,799	\$ 1,412,209	\$ 980,276	\$ 911,683	\$ 2,744,075	\$ 2,323,892
Capital assets	1,919,261	2,101,080	10,417,859	10,324,403	12,337,120	12,425,483
Deferred outflow of resources	170,161	126,754	94,231	81,723	264,392	208,477
Total assets and deferred outflow of resources	3,853,221	3,640,043	11,492,366	11,317,809	15,345,587	14,957,852
Long-term liabilities	1,024,356	959,206	2,529,887	2,717,960	3,554,243	3,677,166
Other liabilities	28,451	23,952	153,730	67,233	182,181	91,185
Current liabilities	22,417	19,326	22,545	40,625	44,962	59,951
Deferred inflow of resources	1,377	2,860	-	330	1,377	3,190
Total liabilities and deferred inflow of resources	1,076,601	1,005,344	2,706,162	2,826,148	3,782,763	3,831,492
Net assets:						
Net investment in capital assets	1,193,495	1,343,507	7,961,101	7,720,058	9,154,596	9,063,565
Restricted	279,234	218,354	50,000	50,000	329,234	268,354
Unrestricted	1,303,890	1,072,839	694,466	721,603	1,998,356	1,794,442
Total net position	\$ 2,776,620	\$ 2,634,700	\$ 8,705,567	\$ 8,491,661	\$ 11,482,188	\$ 11,126,361

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 \$11,482,188 as of June 30, 2021. The Town's net position increased by \$355,826 for the fiscal year ended June 30, 2021. However, the largest portion (80%) reflects the Town's net investment in capital assets (road improvements, equipment, machinery, utility plant). 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 Denton's net position, \$329,234 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,998,356 is unrestricted.

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

- Operating revenues and non-grant expenditures in the General Fund increased compared with prior year

Management Discussion and Analysis
Town of Denton

Town of Denton's Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services and reimbursements	\$ 65,345	\$ 60,313	\$ 1,738,874	\$ 1,598,972	\$ 1,804,219	\$ 1,659,285
Operating grants and contributions	333,020	518,924	-	-	333,020	518,924
General revenues:						
Property taxes	793,525	783,774	-	-	793,525	783,774
Other taxes	472,633	410,452	-	-	472,633	410,452
Other	172,600	164,016	40,460	81,223	213,060	245,239
Total revenues	1,837,123	1,937,479	1,779,334	1,680,195	3,616,457	3,617,674
Expenses:						
General government	465,897	417,155	-	-	465,897	417,155
Public safety	788,830	742,974	-	-	788,830	742,974
Transportation	440,476	534,178	-	-	440,476	534,178
Economic development	-	274,708	-	-	-	274,708
Water and sewer	-	-	1,565,428	1,475,664	1,565,428	1,475,664
Total expenses	1,695,203	1,969,015	1,565,428	1,475,664	3,260,631	3,444,679
Increase in net position before transfers	141,920	(31,535)	213,906	204,530	355,826	172,995
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	141,920	(31,535)	213,906	204,530	355,826	172,995
Net position, July 1	2,634,700	2,666,235	8,491,661	8,287,131	11,126,361	10,953,366
Net position, June 30	\$ 2,776,620	\$ 2,634,700	\$ 8,705,567	\$ 8,491,661	\$ 11,482,188	\$ 11,126,361

Governmental activities. Governmental activities increased the Town's net position by \$141,920, thereby accounting for 40% of the total increase in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. 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.

Management Discussion and Analysis Town of Denton

Key elements of this decrease are as follows:

- Operating revenues and non-grant expenditures in the General Fund increased in comparison with prior year

Business-type activities: Business-type activities increased the Town's net position by \$213,906 accounting for 60% of the total increase in the government's net position. Key elements of this increase are as follows:

- Increased revenues while overall operating costs remained steady

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 Denton's fund balance available in the General Fund was \$1,381,137, while total fund balance reached \$1,660,372. The Town currently has an available fund balance of 93% of general fund expenditures, while total fund balance represents 112% of the same amount.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$1,660,372 with a net increase in fund balance of \$357,408. Included in this change in fund balance are increases in the fund balance of the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town made one revision to the budget. Generally, budget amendments fall into one of three categories:

- 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available
- 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants and
- 3) increases in appropriations that become necessary to maintain services.

The following describes differences between budget and actual numbers:

- The Town made several adjustments during the year to account for differences in anticipated revenues versus actual receipts. The Town also adjusted for expenditures that did not reflect original estimations including capital outlay.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Fund at the end of the fiscal year amounted to \$694,466. The total change in net position was \$213,906. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Management Discussion and Analysis
Town of Denton

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$12,337,120 (net of accumulated depreciation). These assets include buildings, roads, machinery and equipment.

Major capital asset transactions during the year included the following additions:

- General fund equipment and vehicle purchases \$101,651
- Water and sewer equipment \$76,133
- Water and sewer system improvements \$333,722

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Buildings and land	\$ 611,175	\$ 673,642	\$ 174,616	\$ 174,616	\$ 785,791	\$ 848,258
Road improvements	377,350	451,514	-	-	377,350	451,514
Vehicles	732,010	799,451	-	-	732,010	799,451
Equipment	198,726	176,473	239,248	210,247	437,974	386,720
Plant and distribution	-	-	10,003,995	9,939,540	10,003,995	9,939,540
	<u>\$ 1,919,261</u>	<u>\$ 2,101,080</u>	<u>\$ 10,417,859</u>	<u>\$ 10,324,403</u>	<u>\$ 12,337,120</u>	<u>\$ 12,425,483</u>

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

Long-term Debt. As of June 30, 2021 the Town had water and sewer debt of \$117,348 through BB&T Governmental Financing, \$985,000 through USDA, \$1,354,410 through NC DENR, public works financing through USDA of \$85,836, firetruck financing through USDA of \$498,421 and police vehicle / skid steer financing through USDA of \$41,509.

Town of Denton's Outstanding Debt (Figure 5)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Notes payable - USDA	\$ 725,766	\$ 757,573	\$ 985,000	\$ 1,002,000	\$ 1,710,766	\$ 1,759,573
Note payable - DENR	-	-	1,354,410	1,451,154	1,354,410	1,451,154
Note payable - BB&T	-	-	117,348	151,191	117,348	151,191
	<u>\$ 725,766</u>	<u>\$ 757,573</u>	<u>\$ 2,456,758</u>	<u>\$ 2,604,345</u>	<u>\$ 3,182,524</u>	<u>\$ 3,361,918</u>

Management Discussion and Analysis
Town of Denton

Town of Denton's Outstanding Debt.

The Town of Denton's total debt increased by \$31,757 due to principal payments of \$31,807 by the general fund and \$147,587 on the water and sewer debt, an increase in pension liability of \$28,728 in the general fund and \$40,151 in the water and sewer fund, an increase of LEO Separation Allowance of \$68,229 in the general fund and an increase of accrued vacation of \$6,030 in the water and sewer fund and an increase of \$4,499 in the general fund.

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 property located within that government's boundaries. The legal debt margin for the Town is \$10,368,733.

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

FY 2021-22 Budget Outlook

Economic Outlook

The FY 2020-2021 was fraught with dealing with the COVID-19 pandemic. The Town took a conservative stance in projecting revenues for the budget year as well as a conservative stance on Town spending. There was great concern about the pandemic conditions negatively affecting Town revenues in both property tax collection and sales tax. Fortunately, the Town experienced an upturn in sales tax revenue and no lowering of the property tax collection rate. This conservative approach coupled with the Manager's departure kept the town from taking on major new projects. The Unreserved Fund balance increased. The local manufacturing facilities are actively seeking new employees and their business is increasing instead of declining. The housing market is active with new homes being built at a higher rate than 2020.

General Government Outlook

The Town addressed serious challenges this year and must continue to do so in the future to maintain a healthy financial condition. The Town is also continuing the planning process for converting the old SunTrust building purchased in 2018 into a new Town Hall facility. The PARTF grant application was not successful in obtaining a proportion of funding for the conversion of the Sun Trust building into a Town Hall and Recreation Center. It is the intent of the Town to re-apply in the next funding cycle.

The Town invested \$200,000 this year in repairs and resurfacing as part of the 5-year investment plan to improve the condition of local streets. NCDOT has agreed to allow the Town to piggyback bid on the NCDOT District wide street resurfacing contract. This will allow the town to get better pricing on the work and expand improvement.

The Town did invest in two major pieces of equipment to significantly increase service to the Town. The Town purchased a Mini Excavator for the Public Works Department. This will allow the staff to accomplish more water and sewer lines maintenance in less time. The town purchased a new fire truck to replace an older truck that required constant repair.

Water and Sewer Fund Outlook

The primary challenges for the Town water and sewer fund continue to be the number of customers. Town has a significant backlog of improvements needed to operate the system safely and in compliance with state and federal regulations. The Town only has around one thousand account holders who share the cost of operating and maintaining the system. The Town continues to sell water to Handy Sanitary District. They serve as the Town's biggest customer. However, they pay a reduced water rate. As part of their agreement with the Town they are responsible for a percentage of plant improvement costs. The Town Capital Improvement Plan identifies \$2,100,000 of infrastructure improvements needed in the next five years that are over and above annual operating costs. Another fiscal strain to the fund is maintaining competitive wages. The wages in the private sector have escalated at a tremendous rate and the Town will need to reassess salaries for employees. The Water Plant staff is comprised of part time plant operators and one full time operator.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Denton, PO Box 306, Denton, NC 27239.

Town of Denton, North Carolina
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments - unrestricted	\$ 1,403,555	\$ 474,620	\$ 1,878,174
Prepays	-	-	-
Property taxes receivable (net)	81,010	-	81,010
Accounts receivable (net)	97,516	324,393	421,909
Inventory	-	82,313	82,313
Cash and investments - restricted	101,081	98,950	200,031
	<u>1,683,162</u>	<u>980,276</u>	<u>2,663,438</u>
Other assets:			
Due from other funds	80,637	(80,637)	-
	<u>80,637</u>	<u>(80,637)</u>	<u>-</u>
Capital assets:			
Land	-	174,616	174,616
Capital assets, net of depreciation	1,919,261	10,243,243	12,162,504
	<u>1,919,261</u>	<u>10,417,859</u>	<u>12,337,120</u>
Total assets	<u>3,683,060</u>	<u>11,317,498</u>	<u>15,000,558</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LGERS	109,646	94,231	203,877
Pension deferrals - LEO	60,515	-	60,515
Total deferred outflows of resources	<u>170,161</u>	<u>94,231</u>	<u>264,392</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,417	22,545	44,963
Customer deposits payable from restricted assets	-	48,950	48,950
Accrued vacation	28,451	24,143	52,594
Long-term debt:			
Pension liability - LGERS	178,920	153,766	332,686
Pension liability - LEO	119,670	-	119,670
Due within one year	81,392	148,367	229,759
Due in more than one year	644,374	2,308,391	2,952,765
Total liabilities	<u>1,075,224</u>	<u>2,706,162</u>	<u>3,781,387</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals - LGERS	1,377	-	1,377
Pension deferrals - LEO	-	-	-
Total deferred inflows of resources	<u>1,377</u>	<u>-</u>	<u>1,377</u>
NET POSITION			
Net investment in capital assets	1,193,495	7,961,101	9,154,596
Restricted for:			
Stabilization by State Statute	178,153	-	178,153
Streets	51,081	-	51,081
USDA	50,000	50,000	100,000
Unrestricted	1,303,890	694,466	1,998,356
Total net position	<u>\$ 2,776,620</u>	<u>\$ 8,705,567</u>	<u>\$ 11,482,188</u>

The accompanying notes are an integral part of the financial statements

Town of Denton, 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		
		Direct charges and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 465,897	\$ -	\$ 104,882	\$ -	\$ (361,015)	\$ -	\$ (361,015)
Public safety	788,830	-	179,576	-	(609,254)	-	(609,254)
Transportation	440,479	65,345	48,562	-	(326,572)	-	(326,572)
Economic development	-	-	-	-	-	-	-
Total governmental activities	<u>1,695,206</u>	<u>65,345</u>	<u>333,020</u>	<u>-</u>	<u>(1,296,841)</u>	<u>-</u>	<u>(1,296,841)</u>
Business-type activities							
Water and sewer	1,565,428	1,738,874	-	-	-	173,446	173,446
Total business activities	<u>1,565,428</u>	<u>1,738,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,446</u>	<u>173,446</u>
Total government	<u>\$ 3,260,634</u>	<u>\$ 1,804,219</u>	<u>\$ 333,020</u>	<u>\$ -</u>	<u>(1,296,841)</u>	<u>173,446</u>	<u>(1,123,396)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					793,525	-	793,525
Other taxes					472,633	-	472,633
Unrestricted investment earnings					2,350	-	2,350
Other unrestricted revenues					170,254	40,461	210,714
Total general government revenues and transfers					<u>1,438,761</u>	<u>40,461</u>	<u>1,479,222</u>
Change in net position					141,920	213,906	355,826
Net position - beginning					<u>2,634,700</u>	<u>8,491,661</u>	<u>11,126,361</u>
Net position, ending					<u>\$ 2,776,620</u>	<u>\$ 8,705,567</u>	<u>\$ 11,482,188</u>

The accompanying notes are an integral part of the financial statements

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

	<u>General</u>
ASSETS	
Cash and investments - unrestricted	\$ 1,403,555
Cash and investment - restricted	101,081
Prepays	-
Due from other funds	80,637
Property taxes receivable (net)	81,010
Accounts receivable (net)	97,516
Total assets	<u>\$ 1,763,799</u>
LIABILITIES	
Accounts payable	<u>\$ 22,417</u>
	<u>22,417</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax receivable	<u>81,010</u>
	<u>81,010</u>
FUND BALANCE	
Nonspendable:	
Prepays	-
Restricted:	
Stabilization by State Statute	178,153
Streets	51,081
USDA	50,000
Unassigned	<u>1,381,137</u>
Total fund balance	<u>1,660,372</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,763,799</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total Fund Balance, Governmental Funds	\$ 1,660,372
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	5,812,973
Accumulated depreciation	(3,893,712)
Liabilities for unearned revenues considered deferred inflows of resources in the fund statements.	
Taxes receivable	81,010
Deferred outflows of pension resources - LGERS	109,646
Deferred outflows of pension resources - LEO	60,515
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the net position of the governmental activities:	
Pension liability - LGERS	(178,920)
Pension liability - LEO	(119,670)
Accrued vacation	(28,451)
Deferred inflows of pension resources - LGERS	(1,377)
Deferred inflows of pension resources - LEO	-
Long term debt	<u>(725,766)</u>
Net position of the governmental activities	<u>\$ 2,776,620</u>

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

	<u>Major</u>	
	<u>General</u>	<u>Total</u> <u>Government</u>
REVENUES		
Ad valorem taxes	\$ 802,436	\$ 802,436
Other taxes and licenses	472,633	472,633
Unrestricted intergovernmental revenues	104,131	104,131
Restricted intergovernmental revenues	333,020	333,020
Investment earnings	2,350	2,350
Other revenues	131,469	131,469
	<u>1,846,038</u>	<u>1,846,038</u>
OTHER FINANCING SOURCES		
Loan proceeds	-	-
Total revenues and other sources	<u>1,846,038</u>	<u>1,846,038</u>
EXPENDITURES		
General government	421,184	421,184
Public safety	674,940	674,940
Transportation	392,505	392,505
Economic development	-	-
	<u>1,488,629</u>	<u>1,488,629</u>
OTHER FINANCING USES		
None	-	-
	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,488,629</u>	<u>1,488,629</u>
Excess of revenues and other sources over expenditures and other uses	357,408	357,408
Fund Balances		
Beginning of year, July 1	<u>1,302,964</u>	<u>1,302,964</u>
End of year, June 30	<u>\$ 1,660,372</u>	<u>\$ 1,660,372</u>

The accompanying notes are an integral part of the financial statements

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

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

Net changes in fund balances - total governmental funds		\$ 357,408
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current period.		
Capital outlays	\$ 101,651	
Depreciation	<u>(283,470)</u>	(181,819)
Changes in components of pension expense - LGRS		
Deferred outflows	1,614	
Deferred inflows	436	
Pension liability	<u>(28,728)</u>	(26,678)
Changes in components of pension expense - LEO		
Deferred outflows	41,793	
Deferred inflows	1,047	
Pension liability	<u>(68,229)</u>	(25,389)
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		(8,911)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt proceeds	-	
Debt payments	<u>31,808</u>	31,808
Some of the 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>(4,499)</u>
Total changes in net position of governmental activities		<u>\$ 141,920</u>

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

	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad Valorem taxes	\$ 729,400	\$ 735,900	\$ 802,436	\$ 66,536
Other taxes and licenses	317,450	418,550	472,633	54,083
Unrestricted intergovernmental revenues	77,500	106,500	104,131	(2,369)
Restricted intergovernmental revenues	137,050	205,997	333,020	127,023
Investment earnings	2,500	2,500	2,350	(150)
Other revenues	245,597	139,231	131,469	(7,762)
	<u>1,509,497</u>	<u>1,608,678</u>	<u>1,846,038</u>	<u>237,360</u>
Other financing sources:				
Transfers from water and sewer fund	40,000	40,000	-	(40,000)
Loan proceeds	-	-	-	-
Appropriated fund balance	-	104,658	-	(104,658)
Total revenues and other sources	<u>1,549,497</u>	<u>1,753,336</u>	<u>1,846,038</u>	<u>92,702</u>
Expenditures:				
General government	335,843	455,343	421,184	34,159
Public safety	751,997	748,384	674,940	73,444
Transportation	461,657	549,609	392,505	157,104
	<u>1,549,497</u>	<u>1,753,336</u>	<u>1,488,629</u>	<u>264,707</u>
Other Financing Uses:				
None	-	-	-	-
Total Expenditures and other uses	<u>1,549,497</u>	<u>1,753,336</u>	<u>1,488,629</u>	<u>264,707</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	357,408	<u>\$ 357,408</u>
Fund Balances				
Beginning of year, July 1			<u>1,302,964</u>	
End of year, June 30			<u>\$ 1,660,372</u>	

The accompanying notes are an integral part of the financial statements

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

ASSETS

Current assets:

Cash and investments - unrestricted	\$ 474,620
Cash and investments - restricted	98,950
Accounts receivable - customers	262,262
Other accounts receivable	62,131
Inventory	82,313
Total current assets	<u>980,276</u>

Capital assets:

Land	174,616
Property and equipment, net of accumulated depreciation	<u>10,243,243</u>
Total capital assets	<u>10,417,859</u>
Total assets	<u>11,398,136</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	<u>94,231</u>
Total deferred outflows of resources	<u>94,231</u>

LIABILITIES

Current liabilities:

Accounts payable	22,545
Current maturities on long-term debt	148,367
Due to general fund	80,637
Water deposits payable from restricted assets	48,950
Accrued vacation	24,143
Total current liabilities	<u>324,642</u>

Noncurrent liabilities:

Pension liability	153,766
Long-term debt	<u>2,308,391</u>
Total noncurrent liabilities	<u>2,462,157</u>

Total liabilities	<u>2,786,799</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	<u>-</u>
Total deferred inflows of resources	<u>-</u>

NET POSITION

Net investment in capital assets	7,961,101
Restricted - USDA	50,000
Unrestricted	<u>694,466</u>
Total net position of business-type activities	<u>\$ 8,705,567</u>

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

Operating revenues:	
Utility charges, taps and connection fees	\$ 1,686,627
Other operating income	52,247
	<u>1,738,874</u>
Operating expenses:	
Water treatment and distribution	680,515
Waste collection and treatment	530,991
Depreciation	316,399
	<u>1,527,905</u>
Operating income	<u>210,969</u>
Nonoperating revenue (expense):	
Interest income	-
Grants	-
Other nonoperating income	40,461
Interest expense	(37,523)
Total nonoperating revenue (expense)	<u>2,938</u>
Income before contributions and transfers	213,906
Operating transfers in (out)	<u>-</u>
	<u>-</u>
Change in Net Position	213,906
Total net position - July 1	<u>8,491,661</u>
Total net position - June 30	<u><u>\$ 8,705,567</u></u>

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

Cash flows from operating activities:

Cash received from customers	\$ 1,670,711
Cash payment to suppliers of goods and services	(650,162)
Cash payment to employees and benefits	(553,413)
Net Cash Provided By Operating Activities	<u>467,136</u>

Cash flows from noncapital financial activities:

Contributions toward debt payment	40,461
Grants	-
Net payments on interfund receivables	(31,787)
Net Cash Provided by Noncapital Financing Activities	<u>8,674</u>

Cash from capital and related financing activities:

Principal paid on long-term debt	(147,587)
Proceeds from long-term debt	-
Interest paid	(37,523)
Purchase and construction of capital assets	(409,855)
Net Cash Used by Capital and Related Financing Activities	<u>(594,965)</u>

Cash flows from investing activities:

Interest on investments	-
Net Cash Provided by Investing Activities	<u>-</u>

Net Increase (Decrease) In Cash	(119,155)
Cash - Beginning of Year, July 1	<u>692,725</u>

Cash - End of Year, June 30	<u><u>\$ 573,570</u></u>
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Adjustments to Reconcile Net Operating Income**to Net Cash Provided by Operating Activities:**

Net Operating Income	\$ 210,969
Depreciation	316,399
Increase (decrease) in pension deferred inflows (outflows)	-
Changes in Current Assets and Liabilities:	
(Increase) Decrease in accounts receivable	(67,993)
(Increase) Decrease in prepaids	-
(Increase) Decrease in inventory	(7,332)
Increase (Decrease) in accounts payable	(18,080)
Increase (Decrease) in accrued vacation	6,030
Increase (Decrease) in pension deferrals	27,313
Increase (Decrease) in customer deposits	(170)
Net Cash Provided By Operating Activities	<u><u>\$ 467,136</u></u>
 Interest paid	 <u><u>\$ 37,523</u></u>

Town of Denton, North Carolina

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

Description of the unit

The Town of Denton is located in Davidson County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 1,592 and covers approximately two-thirds of one square mile. The Town provides water and sewer services to its residents.

I. Summary of Significant Accounting Policies

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

A. Reporting entity

The Town of Denton is a municipal corporation governed by an elected mayor and board. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. For the year ended June 30, 2021 the Town had no component units.

B. Basis of presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Notes to the Financial Statements (continued)

B. Basis of presentation (continued)

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

The Town reports the following major governmental funds:

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 other funds. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for streets, safety and general government services.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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 property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 a shared revenue for the Town of Denton because the tax is levied by Davidson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Town does not have a current policy which allows for departmental transfers without board approval. During the year, Board approved budget adjustments for various changes in revenues and expense which exceeded original projections.

Notes to the Financial Statements (continued)

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. Non-participating interest earning contracts are accounted for at cost. 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.

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. The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing for widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Denton Restricted Cash

Governmental Activities			
General Fund	Streets		\$ 51,081
	USDA		50,000
Total governmental activities			<u>101,081</u>
 Business-type Activities			
Water and Sewer Fund	Customer deposits		48,950
	USDA		50,000
Total Business-type Activities			<u>98,950</u>
Total Restricted Cash			<u><u>\$200,031</u></u>

Notes to the Financial Statements (continued)

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventories

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

The inventories of the Town's enterprise funds consist of materials held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than two years. 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 Town has recorded general infrastructure consisting of roads and improvements on a prospective basis beginning July 1, 2003 as allowed by GASB Statement 34. 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>Life</u>
Automobiles and light trucks	5-10 years
Buildings	25
Road improvements	10
Furniture, office and other equipment	10

Property, plant, and equipment of the proprietary funds are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Life</u>
Water system components	20-40
Sewer system components	20-40
Equipment	10

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 one item that meet this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt.

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

11. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position 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.

Notes to the Financial Statements (continued)

11. Net Position / Fund Balances (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances Revised July 2021 35-I-54 are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted by USDA – reserve required to be set aside for future debt service payments to USDA.

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

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

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

The Town of Denton 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. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes None

2. Contractual Violations None

B. Deficit in Fund Balance or Net Position of Individual Funds None

C. Excess of Expenditures over Appropriations None

III. Detail Notes on All Funds and Account Groups:

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 policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

Notes to the Financial Statements (continued)

1. Deposits (continued)

At June 30, 2021, the Town's deposits had a carrying amount of \$1,826,399 and a bank balance of \$1,873,107. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. The Town had \$587 in change funds at June 30, 2021.

2. Investments

At June 30, 2021, the Town had \$251,219 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivable - Allowances for Doubtful Accounts

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

<u>Enterprise Fund</u>	<u>June 30, 2021</u>
Accounts receivable	\$4,527

4. Capital assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets being depreciated:				
Road improvements	\$ 1,178,531	\$ -	\$ -	\$ 1,178,531
Buildings	1,516,325	-	-	1,516,325
Vehicles	1,883,026	38,307	-	1,921,333
Equipment	1,133,441	63,344	-	1,196,785
Total capital assets being depreciated:	<u>5,711,323</u>	<u>101,651</u>	<u>-</u>	<u>5,812,974</u>
Less, accumulated depreciation for:				
Road improvements	727,017	74,164		801,181
Buildings	842,683	62,467		905,150
Vehicles	1,083,575	105,748		1,189,323
Equipment	956,968	41,091	-	998,059
Total accumulated depreciation	<u>3,610,243</u>	<u>283,470</u>	<u>-</u>	<u>3,893,713</u>
Governmental activity capital assets, net	<u><u>\$ 2,101,080</u></u>	<u><u>\$ (181,819)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,919,261</u></u>

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

General government	\$42,007
Public safety	126,322
Transportation	<u>115,141</u>
	<u>\$283,470</u>

Notes to the Financial Statements (continued)

4. Capital assets (continued)

Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	174,616	-	-	174,616
Total not being depreciated	174,616	-	-	174,616
Capital assets being depreciated:				
Equipment	1,311,364	76,133	-	1,387,497
Other	16,249	-	-	16,249
Water plant and lines	8,391,712	333,722	-	8,725,434
Sewer plant and lines	8,835,552	-	-	8,835,552
Total capital assets being depreciated:	18,554,877	409,855	-	18,964,732
Less, accumulated depreciation for:				
Equipment	1,101,117	47,132	-	1,148,249
Other	16,249	-	-	16,249
Water plant and lines	3,587,387	183,701	-	3,771,088
Sewer plant and lines	3,700,337	85,566	-	3,785,903
Total accumulated depreciation	8,405,090	316,399	-	8,721,489
Business-type activity capital assets, net	\$ 10,324,403	\$ 93,456	\$ -	\$ 10,417,859

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Denton 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.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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 10.84% 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 \$70,061 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.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

At June 30, 2021, the Town reported a liability of \$332,686 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measured as of June 30, 2020), the Town's proportion was 0.00931%, which was a decrease of 0.00035% from its proportional share at June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense (credit) of \$124,051. 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	\$ 42,012	\$ -
Changes of assumptions	24,758	
Net difference between projected and actual earnings on pension plan investments	46,817	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,229	-
Town contributions subsequent to the measurement date	70,061	-
Total	<u>\$ 203,877</u>	<u>\$ -</u>

\$70,061 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease in the net 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:

2021	\$ 42,223
2022	49,510
2023	28,230
2024	13,855
2025	-
thereafter	-
	<u>\$ 133,818</u>

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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 from December 31, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

Sensitivity of the Town's proportionate share of the net pension 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)	\$ 674,984	\$ 332,686	\$ 48,213

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Denton 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.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

Retirees receiving benefits	0
Inactive members currently receiving benefits	1
Active plan members	6
Total	<u>7</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 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, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 \$2,957 as benefits came due for the reporting period.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2021, the Town reported a total pension liability of \$119,670. 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 \$25,389.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,302	\$ -
Changes of assumptions	40,213	1,377
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 60,515	\$ 1,377

\$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 Outflow of Resources	Deferred Inflow of Resources	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2022	\$ 18,171	\$ 773	\$ 17,398
2023	15,671	604	15,067
2024	12,262	-	12,262
2025	11,814	-	11,814
2026	2,597	-	2,597
Thereafter	-	-	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 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	\$ 125,473	\$ 119,670	\$ 111,505

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

	2021	2020
Beginning balance	\$ 51,441	\$ 33,246
Service Cost	5,884	5,287
Interest on the total pension liability	3,635	3,397
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	14,911	9,485
Changes of assumptions or other inputs	46,756	2,983
Benefit payments	(2,957)	(2,957)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 119,670</u>	<u>\$ 51,441</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study from December 31, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 124,051	\$ 25,389	\$ 149,440
Pension Liability	332,686	119,670	452,356
Proportionate share of the net pension liability	0.00931%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	42,012	20,302	62,314
Changes of assumptions	24,758	40,213	64,971
Net difference between projected and actual earnings on plan investments	46,817	-	46,817
Changes in proportion and differences between contributions and proportionate share of contributions	20,229	-	20,229
Benefit payments and administrative costs paid subsequent to the measurement date	70,061	-	70,061
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	1,377	1,377
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

Notes to the Financial Statements (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Contributions. The Town is required by Article 12D of GS Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by the employees.

The Town has not had an actuarial study performed on the amount of potential unfunded benefit. Based on current membership's years of service and prior history, management does not anticipate that any unfunded amount of this benefit would have a material effect on the financial statements as presented.

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of GS Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 1998. Contributions for the year ended June 30, 2021 were \$18,829 which consisted of \$11,495 from the Town and \$7,334 from the employees.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan description. The State of North Carolina contributes, on behalf of the Town of Denton, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of GS Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Workers' Pension Fund is included in the comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information of the fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

Notes to the Financial Statements (continued)

e. Other Employment Benefits (continued)

Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current year	\$ 70,061
Other deferred pension outflows	<u>194,331</u>
	<u>\$264,392</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Pension deferrals	\$ 1,377	\$ -0-
Property tax receivables	<u>-0-</u>	<u>81,010</u>
	<u>\$ 1,377</u>	<u>\$ 81,010</u>

3. Commitments

The Town has no active construction projects as of June 30, 2021.

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for these risks. The Town obtains general liability and auto liability coverage of \$1million per occurrence, property coverage up to \$1million per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The Town is aggregate limit of \$1,000,000 for the aggregate losses in a single year.

The Town carries commercial coverage for other risks of loss. The Town currently does not have flood insurance coverage. The Town has no claims during this year or the prior two years.

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

5. Claims and Judgments

At June 30, 2021, the Town has not had any known claims asserted against it.

Notes to the Financial Statements (continued)

6. Long-Term Obligations:

a. Capital Leases

General Fund

There are currently no assets leased in the general fund.

Water and Sewer Fund

There are currently no assets leased in the water and sewer fund.

b. General Obligation Indebtedness

The debt secured to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. There was no general obligation bond debt outstanding at June 30, 2021

Debts payable at June 30, 2021 are comprised of the following individual issues:

General Fund debt

Serviced by the General Fund:

Public Works Building – Loan through USDA interest at 4.55%, term of 40 years dated 5-17-07	\$ 185,836
Fire truck – Loan through USDA interest at 2.375%, term of 7 years dated 6-18-20	\$ 498,421
Police vehicle / skid steer – Loan through USDA interest at 2.375%, term of 70 years dated 6-18-20	\$ <u>41,509</u>
	<u>\$ 725,766</u>

Water and sewer debt

Serviced by the Water and Sewer Fund:

Water and Sewer System – Loan through BB&T Governmental Financing, interest at 4.84%, term of 15 years	\$ 117,348
Water and Sewer System – Loan through USDA Interest at 3.75%, term of 40 years	\$ 985,000
Water and Sewer System – Loan through DENR 0% interest, amortized for twenty years	\$ <u>1,354,410</u>
	<u>\$ 2,456,758</u>

At June 30, 2021, the Town had bonds authorized but unissued of \$-0- and a legal debt margin of \$10,368,733.

Notes to the Financial Statements (continued)

b. General Obligation Indebtedness(continued)

Annual debt service requirements to maturity for the debt are as follows:

Year ending June 30	General Fund			Water and Sewer Fund		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 81,392	\$ 19,399	\$ 100,791	\$ 148,367	\$ 36,086	\$ 184,453
2022	83,379	17,412	100,791	149,215	34,651	183,866
2023	85,376	15,415	104,695	151,064	33,216	188,184
2024	87,464	13,327	104,695	125,746	31,780	161,430
2025	89,456	11,335	104,695	127,095	30,345	161,344
Thereafter	298,699	84,558	383,257	1,755,271	481,036	2,236,307
	<u>\$ 725,766</u>	<u>\$ 161,446</u>	<u>\$ 898,925</u>	<u>\$ 2,456,758</u>	<u>\$ 647,114</u>	<u>\$ 3,115,585</u>

c. Changes in Long-Term Liabilities

	Balance			Balance	Current Portion
	June 30, 2020	Increases	Decreases	June 30, 2021	of Balance
Governmental activities:					
USDA loan	\$ 757,573	\$ -	\$ 31,807	\$ 725,766	\$ 81,392
Pension liability	150,192	28,728	-	178,920	-
LEO Separation	51,441	68,229	-	119,670	-
Accrued Vacation	23,952	4,499	-	28,451	-
	<u>\$ 983,158</u>	<u>\$ 101,456</u>	<u>\$ 31,807</u>	<u>\$ 1,052,807</u>	<u>\$ 81,392</u>
Business-type activities					
Sewer debt	\$ 1,153,191	\$ -	\$ 50,843	\$ 1,102,348	\$ 51,893
Water debt	1,451,154	-	96,744	1,354,410	96,744
Pension liability	113,615	40,151	-	153,766	-
Accrued Vacation	18,113	6,030	-	24,143	-
	<u>\$ 2,736,073</u>	<u>\$ 46,181</u>	<u>\$ 147,587</u>	<u>\$ 2,634,667</u>	<u>\$ 148,637</u>

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

C. Interfund Receivables and Payables/ Transfers

The composition of interfund balances as of June 30, 2021 is as follows:

Due to/from other funds:

To	General Fund	\$80,637
From	Water and Sewer Fund	\$80,637

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Notes to the Financial Statements (continued)

D. On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2021, the Town has recognized on-behalf of payments for pension contributions made by the State as a revenue and expenditure of \$1,855 for four paid firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and State appropriation.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 1,919,261	\$ 10,417,859
less: long-term debt	725,766	2,454,758
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 1,193,495</u>	<u>\$ 7,963,101</u>

F. Fund Balance

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

Total fund balance - General Fund	\$ 1,660,372
Less:	
Prepays	-
Stabilization by State Statute	178,153
USDA	50,000
Streets - Powell Bill	51,081
Remaining Fund Balance	<u>\$ 1,381,137</u>

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

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

IV. Related Parties

The Town is contractually obligated to provide Handy Sanitary District with up to 1,200,000 gallons of water per day. During the 20-21 year, this amounted to approximately 70% of the water produced by the Town's system.

V. Summary and Disclosure of Significant Contingencies

Federal and State Assisted Programs

From time to time the Town receives proceeds from 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)

VI. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through November 5, 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 Denton, North Carolina
Town of Denton'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	\$ 70,061	\$ 67,880	\$ 59,110	\$ 47,672	\$ 49,020	\$ 41,358	\$ 39,657	\$ 43,281
Contributions in relation to the contractually required contribution	\$ 70,061	\$ 67,880	\$ 59,110	\$ 47,672	\$ 49,020	\$ 41,358	\$ 39,657	\$ 43,281
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Denton's covered-employee payroll	\$ 719,687	\$ 782,225	\$ 739,191	\$ 684,239	\$ 556,781	\$ 602,122	\$ 524,283	\$ 556,393
Contributions as a percentage of covered-employee payroll	9.73%	8.68%	8.00%	6.97%	8.80%	6.87%	7.56%	7.14%

Proportionate Share of Net Pension Liability (Asset)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Denton's proportion of the net pension liability (asset) (%)	0.00931%	0.00966%	0.00925%	0.74400%	0.00629%	0.00815%	0.00863%	0.01130%
Denton's proportion of the net pension liability (asset) (\$)	\$ 332,686	\$ 263,807	\$ 219,442	\$ 113,663	\$ 133,495	\$ 35,577	\$ (50,695)	\$ 132,795
Denton's covered-employee payroll	\$ 782,225	\$ 739,191	\$ 684,239	\$ 556,781	\$ 602,122	\$ 524,283	\$ 556,393	\$ 641,448
Denton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.53%	35.69%	32.07%	20.41%	22.17%	6.79%	(9.11%)	20.70%
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 Denton, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2021

Schedule of Changes in Total Pension Liability

	2021	2020	2019	2018	2017
Beginning balance	\$ 51,441	\$ 33,246	\$ 25,543	\$ 3,163	\$ 2,182
Service Cost Interest on total pension liability	5,884	5,287	6,369	4,789	3,241
Interest	3,635	3,397	2,706	2,441	2,223
Differences between expected and actual experience in the measurement of the total pension liability	14,911	9,485	5,224	11,150	-
Changes of assumptions or other inputs	46,756	2,983	(3,696)	6,957	(1,526)
Benefit payments	(2,957)	(2,957)	(2,900)	(2,957)	(2,957)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 119,670</u>	<u>\$ 51,441</u>	<u>\$ 33,246</u>	<u>\$ 25,543</u>	<u>\$ 3,163</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2021	2020	2019	2018	2017
Total pension liability	\$ 119,670	\$ 51,441	\$ 33,246	\$ 25,543	\$ 3,163
Covered payroll	217,062	207,198	224,273	210,235	179,425
Total pension liability as a percentage of covered payroll	55.13%	24.83%	14.82%	12.15%	1.76%

Notes to the schedules:

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

Town of Denton, North Carolina
General Fund
Statement of Revenue, 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>Actual - Year Ended 2020</u>
Revenues:				
Ad Valorem taxes (net of refunds):				
Current levies		\$ 757,761		\$ 741,693
Prior levies		36,545		35,920
Penalties and interest		8,129		20,425
	<u>\$ 735,900</u>	<u>802,436</u>	<u>\$ 66,536</u>	<u>798,037</u>
Other taxes and licenses:				
Local option sales tax		472,421		410,386
Motor vehicle license		212		66
	<u>418,550</u>	<u>472,633</u>	<u>54,083</u>	<u>410,452</u>
Unrestricted intergovernmental revenues:				
Utilities franchise tax		95,850		98,284
Beer and wine tax		6,645		6,847
Tax refunds		1,636		3,586
	<u>106,500</u>	<u>104,131</u>	<u>(2,369)</u>	<u>108,717</u>
Restricted intergovernmental revenues:				
Powell Bill allocation		48,562		51,463
Police and fire grants		12,002		16,685
Other grants		104,882		349,574
COVID grants		44,281		-
On-behalf of payments - fire		1,855		1,865
Davidson County - fire protection		121,438		99,337
	<u>205,997</u>	<u>333,020</u>	<u>127,023</u>	<u>518,924</u>
Investment earnings	<u>2,500</u>	<u>2,350</u>	<u>(150)</u>	<u>1,702</u>
Other revenues:				
Rent received		8,518		2,938
Collection fees		873		899
Police department revenue		1,223		401
Donations		-		-
Fees collected		64,122		60,313
Miscellaneous revenues		27,892		26,803
Sale of assets		28,841		22,557
	<u>139,231</u>	<u>131,469</u>	<u>(7,762)</u>	<u>113,911</u>
Total Revenues	<u>1,608,678</u>	<u>1,846,038</u>	<u>237,360</u>	<u>1,951,743</u>
Other financing sources:				
Transfer from water and sewer fund	40,000	-		-
Loan proceeds	-	-		567,800
Appropriated fund balance	104,658	-		-
	<u>144,658</u>	<u>-</u>	<u>(144,658)</u>	<u>567,800</u>
Total revenues and other financing sources	<u>1,753,336</u>	<u>1,846,038</u>	<u>92,702</u>	<u>2,519,543</u>

Town of Denton, North Carolina
General Fund (continued)
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual - Year Ended 2020</u>
Expenditures:				
General government:				
Governing body	\$ 44,400	\$ 44,400	\$ -	\$ 44,400
Administration:				
Salaries and employee benefits		93,133		87,609
Operating expenses		107,203		151,961
Parks and festivals		20,712		32,769
Professional services		34,104		28,797
Election costs		-		7,231
Contributions and grants		16,496		11,000
CMAQ pass through grant		105,136		273,374
Capital outlay		-		-
	<u>410,943</u>	<u>376,784</u>	<u>34,159</u>	<u>592,742</u>
Total general government	<u>455,343</u>	<u>421,184</u>	<u>34,159</u>	<u>637,142</u>
Public safety:				
Police:				
Salaries and employee benefits		397,684		411,825
Operating expenses		35,439		57,169
Grant expenditures		28,913		-
Debt payment		3,825		-
Capital outlay		38,307		36,100
	<u>576,646</u>	<u>504,169</u>	<u>72,477</u>	<u>505,094</u>
Fire:				
Wages and benefits		64,071		60,789
On-behalf of payments - fire		1,855		1,865
Operating expenses		71,940		51,403
Debt payments		32,905		51,404
Capital outlay		-		640,743
	<u>171,738</u>	<u>170,771</u>	<u>967</u>	<u>754,800</u>
Total public safety	<u>748,384</u>	<u>674,940</u>	<u>73,444</u>	<u>1,259,894</u>
Transportation:				
Street department:				
Salaries and employee benefits		99,452		160,376
Operating expenses		83,637		62,104
Contracted services		92,128		106,077
Debt payment		15,612		11,787
Powell Bill - capital outlay		-		52,500
Street improvements - capital outlay		38,332		79,079
Capital outlay		63,344		35,372
Total transportation	<u>549,609</u>	<u>392,505</u>	<u>157,104</u>	<u>507,295</u>
Total expenditures	<u>1,753,336</u>	<u>1,488,629</u>	<u>264,707</u>	<u>2,404,331</u>
Revenues over expenditures	<u>-</u>	<u>357,408</u>	<u>357,408</u>	<u>115,213</u>
Other financing sources (uses)				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>357,408</u>	<u>\$ 357,408</u>	<u>115,213</u>
Fund Balance:				
Beginning of year, July 1		<u>1,302,964</u>		<u>1,187,751</u>
End of year, June 30		<u>\$ 1,660,372</u>		<u>\$ 1,302,964</u>

Town of Denton, North Carolina
Water and Sewer Fund
Schedule of Revenue and Expenditures - Budget and Actual - (Non-GAAP)
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>Actual - Year Ended 2020</u>
Operating revenues:				
Water revenues		\$ 1,184,291		\$ 1,058,739
Sewer revenues		502,336		483,701
Other		52,247		56,532
	<u>\$ 1,525,000</u>	<u>1,738,874</u>	<u>\$ 213,874</u>	<u>1,598,972</u>
Nonoperating revenues:				
Interest earned		-		39
	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>
Other financing sources:				
Debt contribution from Handy Sanitary		40,461		81,184
Grants		-		-
Appropriated retained earnings		-	-	-
	<u>283,357</u>	<u>40,461</u>	<u>(242,896)</u>	<u>81,184</u>
Total revenue and other financing sources	<u>\$ 1,808,357</u>	<u>\$ 1,779,334</u>	<u>\$ (29,023)</u>	<u>\$ 1,680,194</u>

Town of Denton, North Carolina
Water and Sewer Fund (continued)
Schedule of Revenues and Expenditures - Budget and Actual - (Non-GAAP)
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>Actual - Year Ended 2020</u>
Operating expenditures:				
Water system				
Administrative:				
Salaries		\$ 54,468		\$ 52,575
Professional fees		11,470		11,470
Travel and training		3,602		2,821
Other		29,028		31,249
		<u>98,569</u>		<u>98,115</u>
Operations:				
Salaries		206,205		205,966
Utilities		91,515		78,316
Maintenance -				
buildings and plant		47,554		44,339
Departmental supplies		101,256		106,238
Other		59,503		60,591
		<u>506,033</u>		<u>495,450</u>
Other:				
Payroll taxes		19,708		19,381
Insurance and retirement		56,206		40,363
		<u>75,913</u>		<u>59,744</u>
	<u>\$ 683,524</u>	<u>680,515</u>	<u>\$ 3,009</u>	<u>653,309</u>
Operating expenditures:				
Sewer system				
Administrative:				
Salaries		54,468		52,575
Professional fees		15,525		33,364
Telephone and postage		3,602		2,821
Departmental supplies		2,960		3,505
Other		26,069		31,202
		<u>102,624</u>		<u>123,468</u>
Operations:				
Salaries		126,016		116,756
Utilities		44,268		44,098
Removal of sludge		23,981		13,512
Maintenance -				
buildings and plant		3,108		4,360
Departmental supplies		56,648		15,164
Other		71,317		83,270
		<u>325,338</u>		<u>277,160</u>

Town of Denton, North Carolina
Water and Sewer Fund (continued)
Schedule of Revenues and Expenditures - Budget and Actual - (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual - Year Ended 2020 Actual
Other:				
Payroll taxes		\$ 13,553		\$ 12,673
Insurance and retirement		56,133		38,238
Other		-		-
		<u>69,686</u>		<u>50,911</u>
	<u>\$ 520,942</u>	<u>497,648</u>	<u>\$ 23,294</u>	<u>451,538</u>
Total operating expenditures	<u>1,204,466</u>	<u>1,178,163</u>	<u>26,303</u>	<u>1,104,847</u>
Other budgetary appropriations:				
Principal payment on bonds				
Water		96,744		96,744
Sewer		50,843		278,617
Interest on bonds and leases				
Water		-		-
Sewer		37,523		45,464
Capital outlay:				
Water lines		333,722		22,131
Sewer lines		-		6,599
Equipment				
Water		60,162		44,575
Sewer		15,971		3,693
Water plant		-		-
Sewer plant		-		19,700
	<u>603,891</u>	<u>594,965</u>	<u>8,926</u>	<u>517,524</u>
Other financing sources:				
Transfer to general fund		-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and budgetary appropriations	<u>\$ 1,808,357</u>	<u>\$ 1,773,129</u>	<u>\$ 35,228</u>	<u>\$ 1,622,372</u>

Town of Denton, North Carolina
Water and Sewer Fund (continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021 Actual</u>	<u>2020 Actual</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues and other financing sources	\$ 1,779,334	\$ 1,680,194
Total expenditures and budgetary appropriations	<u>1,773,129</u>	<u>1,622,372</u>
Excess of revenues over (under) expenditures	6,206	57,823
Budgetary appropriations	594,965	517,524
Pension (expense) credit	(27,313)	(24,654)
Decrease (increase) in accrued vacation	(6,030)	15,862
Depreciation	(316,399)	(316,561)
Interest on debt service	(37,523)	(45,464)
Net change in inventory (not included in capital outlay)	<u>-</u>	<u>-</u>
Change in net position	<u><u>\$ 213,906</u></u>	<u><u>\$ 204,530</u></u>

Town of Denton, North Carolina
Schedule of Changes in Ad Valorem Taxes Receivable
For the Year ended June 30, 2021

<u>Year of Levy</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2021</u>
2021	\$ -	\$ 787,767	767,847	\$ 19,920
2020	27,304		15,434	11,870
2019	15,630		6,951	8,679
2018	9,488		2,231	7,257
2017	5,457		697	4,760
2016	4,233		1,750	2,483
2015	3,007		1,064	1,943
2014	3,205		514	2,691
2013	2,984		106	2,878
2012	3,268		86	3,182
2011	2,663	12,684	-	15,347
2010 and prior	12,682		12,682	-
	<u>\$ 89,921</u>	<u>\$ 800,451</u>	<u>\$ 809,362</u>	
Ad Valorem Taxes Receivable - Net				<u>\$ 81,010</u>
Reconciliation with Revenues:				
Tax - Ad Valorem				\$ 794,306
Other releases and credits				<u>15,056</u>
Total collections and credits				<u>\$ 809,362</u>

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

	Total Levy				
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy - Town Wide	\$ 126,629,833	0.60	\$ 759,779	\$ 679,992	\$ 79,787
Discoveries	4,552,333		27,314	27,314	-
Abatements and Releases	<u>(1,573,000)</u>		<u>(9,438)</u>	<u>(9,438)</u>	<u>-</u>
Total for Year	<u>\$ 129,609,167</u>		777,655	697,868	79,787
Less, Uncollected Tax at June 30, 2021			<u>19,920</u>	<u>19,920</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 757,735</u>	<u>\$ 677,948</u>	<u>\$ 79,787</u>
Percent Current Year Collected			97.44%	97.15%	100.00%

**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
Town Board
Town of Denton, North Carolina

I 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, the business-type activities and each major fund of the Town of Denton, 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 Denton's basic financial statements, and have issued my report thereon dated November 5, 2021

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Denton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Denton's internal control. Accordingly, I 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control 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 the 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

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

Lexington, North Carolina
November 5, 2021

Town of Denton, North Carolina
General Capital Projects Fund
Kaufman Building Re-use Project 15-E-2772
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From inception and for the fiscal year ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental					
Kaufman Trailers					
CDBG building reuse grant	\$ 750,000	\$ 645,118	\$ 104,882	\$ 750,000	\$ -
Total revenues	<u>750,000</u>	<u>645,118</u>	<u>104,882</u>	<u>750,000</u>	<u>-</u>
Expenditures:					
Kaufman Trailers					
Building improvements	<u>750,000</u>	<u>645,118</u>	<u>104,882</u>	<u>750,000</u>	<u>-</u>
Total expenditures	<u>750,000</u>	<u>645,118</u>	<u>104,882</u>	<u>750,000</u>	<u>-</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:					
Operating fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>