

TOWN OF ELK PARK

Elk Park, North Carolina

Financial Statements

For the Year Ended June 30, 2021

COMBS, 
TENNANT & CARPENTER, P.C.
Certified Public Accountants

Town of Elk Park, North Carolina
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June 30, 2021

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COMBS,
TENNANT & CARPENTER, P.C.

Certified Public Accountants

2348 Hwy. 105, Suite 5
P.O. Box 1098
Boone, NC 28607
828-264-6700
Fax: 828-264-7756

Billy G. Combs, CPA
Douglas M. Tennant, CPA
Jason D. Carpenter, CPA
Brady L. Combs, CPA
Tanya L. Singleton, CPA
Emily W. Reynolds, CPA

311 Linville Street
P.O. Box 1480
Newland, NC 28657
828-733-0066
Fax: 828-733-8689

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Aldermen
Elk Park, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Elk Park, 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 of Elk Park's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 12, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 51, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Elk Park, North Carolina. The individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, NC

October 12, 2021

Management's Discussion and Analysis

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

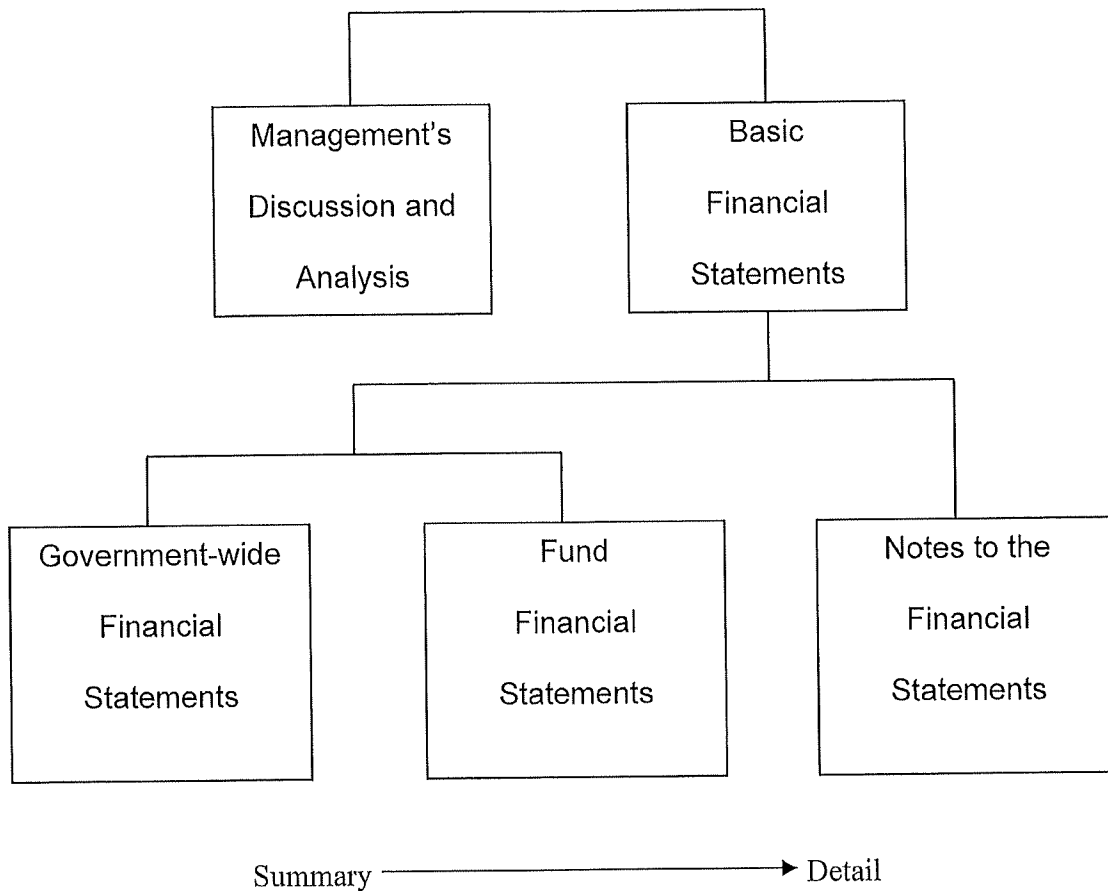
- The assets and deferred outflows of resources of the Town of Elk Park exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,421,696 (*net position*).
- The government's total net position increased by \$21,147.
- As of the close of the current fiscal year, the Town of Elk Park's governmental fund reported combined ending fund balance of \$570,974 with a net increase of \$101,699 in fund balance. Approximately 9.2 percent of this total amount, or \$52,565, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$489,909, or 198.1% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Elk Park'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 Elk Park.

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 (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as transportation and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide services. This includes the water and sewer services offered by the Town of Elk Park.

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Elk Park's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

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

Government-Wide Financial Analysis

Town of Elk Park's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Current and other assets	\$ 576,815	\$ 474,497	\$ 210,275	\$ 189,660	\$ 787,090	\$ 664,157
Capital assets	629,403	640,195	2,050,201	2,163,445	2,679,604	2,803,640
Deferred outflows of resources	36,692	20,584	86,955	23,915	123,647	44,499
Total assets	1,242,910	1,135,276	2,347,431	2,377,020	3,590,341	3,512,296
Long-term liabilities outstanding	519,555	555,732	595,148	463,029	1,114,703	1,018,761
Other Liabilities	10,537	8,921	17,384	49,456	27,921	58,377
Deferred inflows of resources	6,142	13,125	19,879	21,484	26,021	34,609
Total liabilities	536,234	577,778	632,411	533,969	1,168,645	1,111,747
Net position:						
Net investment in capital assets	242,839	246,648	1,859,701	1,964,945	2,102,540	2,211,593
Restricted	52,565	43,510	-	-	52,565	43,510
Unrestricted	411,272	267,340	(144,681)	(121,894)	266,591	145,446
Total net position	\$ 706,676	\$ 557,498	\$ 1,715,020	\$ 1,843,051	\$ 2,421,696	\$ 2,400,549

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Elk Park exceeded liabilities and deferred inflows by \$2,421,696 as of June 30, 2021. The Town's net position increased by \$21,147 for the fiscal year ended June 30, 2021. However, the largest portion (87%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Elk Park uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elk Park's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Elk Park's net position \$52,565 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$266,591 is unrestricted.

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

- The Town showed continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.21% excluding motor vehicles, which is slightly more than the statewide average of 98.96%.

Town of Elk Park Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 287,521	\$ 275,584	\$ 287,521	\$ 275,584
Operating grants and contributions	12,314	12,973	16,436	4,719	28,750	17,692
Capital grants and contributions	5,581	-	-	-	5,581	-
General revenues:						
Property taxes	70,974	67,620	-	-	70,974	67,620
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	256,424	211,649	-	-	256,424	211,649
Other	2,584	10,762	40	1,427	2,624	12,189
Total revenues	347,877	303,004	303,997	281,730	651,874	584,734
Expenses:						
General government	98,756	121,177	-	-	98,756	121,177
Public safety	7,740	9,311	-	-	7,740	9,311
Transportation	80,017	101,479	-	-	80,017	101,479
Interest on long-term debt	12,186	12,400	-	-	12,186	12,400
Water and sewer	-	-	432,028	395,908	432,028	395,908
Total expenses	198,699	244,367	432,028	395,908	630,727	640,275
Increase (decrease) in net position before transfers	149,178	58,637	(128,031)	(114,178)	21,147	(55,541)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	149,178	58,637	(128,031)	(114,178)	21,147	(55,541)
Net position, beginning, previously reported	557,498	498,861	1,843,051	1,957,229	2,400,549	2,456,090
Restatement	-	-	-	-	-	-
Net position, beginning, restated	-	-	-	-	-	-
Net position, June 30	\$ 706,676	\$ 557,498	\$ 1,715,020	\$ 1,843,051	\$ 2,421,696	\$ 2,400,549

Governmental activities. Governmental activities increased the Town's net position by \$149,178. Key elements of this increase are as follows:

- An increase in local option sales tax

Business-type activities: Business-type activities decreased the Town of Elk Park's net position by \$128,031. Key elements of this decrease are as follows:

- An increase in OPEB liability

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Elk Park. At the end of the current fiscal year, Town of Elk Park's fund balance available in the General Fund was \$489,909 while total fund balance reached \$570,974. The Governing Body of the Town of Elk Park has determined that the Town should maintain an available fund balance of 25% of the general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 198% of general fund expenditures, while the total fund balance represents 203% of the same amount.

At June 30, 2021, the governmental fund of Town of Elk Park reported a combined fund balance of \$570,974 with a net increase in fund balance of \$101,699.

General Fund Budgetary Highlights: During the fiscal year, the Town did revise the budget on one occasion. 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; 3) increases in appropriations that become necessary to maintain service.

Revenues were more than the budgeted amounts. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Fund. The Town of Elk Park's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$(144,681).

Capital Asset and Debt Administration

Capital assets. The Town of Elk Park's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,679,604 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions.

- Paving \$24,500
- Picnic Shelter Ceilings \$5,522

Town of Elk Park's Capital Assets

(net of depreciation)

Figure 3

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Land	\$ 2,000	\$ 2,000	\$ 18,511	\$ 18,511	\$ 20,511	\$ 20,511
Buildings	418,470	433,395	50,716	52,681	469,186	486,076
Other improvements	80,817	81,431	1,920,665	2,024,587	2,001,482	2,106,018
Infrastructure	119,845	106,238	-	-	119,845	106,238
Equipment and furniture	8,271	14,323	60,309	67,666	68,580	81,989
Vehicles	-	2,808	-	-	-	2,808
Construction in Progress	-	-	-	-	-	-
Total	\$ 629,403	\$ 640,195	\$ 2,050,201	\$ 2,163,445	\$ 2,679,604	\$ 2,803,640

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

Long-term Debt. As of June 30, 2021, the Town of Elk Park had notes payable and bonded debt outstanding of \$577,064. Of this amount, \$577,064 is debt backed by the full faith and credit of the Town.

**Town of Elk Park's Outstanding Debt
General Obligation and Installment Purchase**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes Payable	\$ 386,564	\$ 393,547	\$ -	\$ -	\$ 386,564	\$ 393,547
General obligation bonds	-	-	190,500	198,500	190,500	198,500
OPEB	115,391	144,462	372,834	235,185	488,225	379,647
Total	\$ 501,955	\$ 538,009	\$ 563,334	\$ 433,685	\$ 1,065,289	\$ 971,694

The Town of Elk Park's Outstanding Debt

The Town of Elk Park's total debt increased by \$93,595.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Elk Park is \$1,330,361.

Additional information regarding the Town of Elk Park's long-term debt can be found in note III.B.5 beginning on page 45 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Property tax values will remain constant within the Town

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Budgeted revenues in the General Fund are expected to remain constant.

Budgeted expenditures in the General Fund are expected to remain constant.

Business – type Activities: The water and sewer rates in the Town will be reviewed to see if an increase is needed to help offset rising expenditures.

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:

Director of Finance
Town of Elk Park
169 Winters Street
Elk Park, NC 28622

Basic Financial Statements

Town of Elk Park, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 522,400	\$ 166,086	\$ 688,486
Taxes receivable (net)	1,196	-	1,196
Accrued interest receivable on taxes	654	-	654
Accounts receivable (net)	-	28,249	28,249
Accounts receivable (other)	-	-	-
Due from other governments	46,660	-	46,660
Prepaid expenses	-	-	-
Restricted cash and cash equivalents	5,905	15,940	21,845
Total current assets	576,815	210,275	787,090
Non-current assets:			
Net pension assets	-	-	-
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	2,000	18,511	20,511
Other capital assets, net of depreciation	627,403	2,031,690	2,659,093
Total capital assets	629,403	2,050,201	2,679,604
Total assets	\$ 1,206,218	\$ 2,260,476	\$ 3,466,694
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	9,267	13,482	22,749
OPEB Deferrals	27,425	73,473	100,898
Total deferred outflows of resources	36,692	86,955	123,647
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,991	\$ 1,444	\$ 5,435
Unearned revenue	-	-	-
Accrued interest payable	6,546	-	6,546
Due to primary government	-	-	-
Due to other governments	-	-	-
Current portion of long-term liabilities	8,702	11,500	20,202
Payable from restricted assets	-	15,940	15,940
Total current liabilities	19,239	28,884	48,123
Long-term liabilities:			
Net pension liability	15,492	23,816	39,308
Due in more than one year	495,361	559,832	1,055,193
Total liabilities	530,092	612,532	1,142,624
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	66	248	314
OPEB deferrals	6,076	19,631	25,707
Total deferred inflows of resources	6,142	19,879	26,021
NET POSITION			
Net investment in capital assets	242,839	1,859,701	2,102,540
Restricted for:			
Stabilization by State Statute	46,660	-	46,660
Transportation	5,905	-	5,905
Unrestricted	411,272	(144,681)	266,591
Total net position	\$ 706,676	\$ 1,715,020	\$ 2,421,696

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

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental Activities:						
General government	\$ 98,756	\$ -	\$ -	\$ -	\$ (98,756)	\$ -
Public safety	7,740	-	-	-	(7,740)	-
Transportation	80,017	-	12,314	5,581	(62,122)	-
Interest on long-term debt	12,186	-	-	-	(12,186)	-
Total governmental activities (See Note 1)	198,699	-	12,314	5,581	(180,804)	-
Business-type activities:						
Water and sewer	432,028	287,521	16,436	-	-	(128,071)
Total business-type activities	432,028	287,521	16,436	-	-	(128,071)
Total primary government	\$ 630,727	\$ 287,521	\$ 28,750	\$ 5,581	\$ (180,804)	\$ (308,875)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					70,974	70,974
Other taxes					-	-
Grants and contributions not restricted to specific programs					256,424	256,424
Unrestricted investment earnings					45	85
Miscellaneous					2,539	2,539
Total general revenues not including transfers					329,982	330,022
Transfers					-	-
Total general revenues and transfers					329,982	330,022
Change in net position					149,178	(128,031)
Net position, beginning					557,498	1,843,051
Net position, ending					\$ 706,676	\$ 1,715,020
					\$	\$

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

Exhibit 3

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

	Major Fund		Total Governmental Funds	
	General Fund			
ASSETS				
Cash and cash equivalents	\$	522,400	\$	522,400
Restricted cash		5,905		5,905
Receivables, net:				
Taxes		1,196		1,196
Accounts		-		-
Other		-		-
Deposit on assets		-		-
Due from other governments		46,660		46,660
Total assets	\$	576,161	\$	576,161
LIABILITIES				
Accounts payable and accrued liabilities	\$	3,991	\$	3,991
Unearned revenue		-		-
Total liabilities		3,991		3,991
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable		1,196		1,196
Total deferred inflows of resources		1,196		1,196
FUND BALANCES				
Restricted				
Stabilization by State statute		46,660		46,660
Streets		5,905		5,905
Assigned				
Subsequent year's expenditures		28,500		28,500
Unassigned		489,909		489,909
Total fund balances		570,974		570,974
Total liabilities, deferred inflows of resources and fund balances	\$	576,161		

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

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

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 570,974
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 1,148,743	
Accumulated Depreciation	<u>(519,340)</u>	629,403
Deferred outflows of resources related to pensions are not reported in the funds		9,267
Deferred outflows of resources related to OPEB are not reported in the funds		27,425
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		654
Liabilities for earned revenues considered deferred inflows of resources in fund statements		1,196
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	(388,672)	
Net pension liability	(15,492)	
OPEB Liability	<u>(115,391)</u>	(519,555)
Deferred inflows of resources related to pensions are not reported in the funds		(66)
Deferred inflows of resources related to OPEB are not reported in the funds		(6,076)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(6,546)
Net position of governmental activities		<u><u>\$ 706,676</u></u>

Exhibit 4

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

	Major Fund		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 72,089	\$ 72,089	
Unrestricted intergovernmental	256,424	256,424	
Restricted intergovernmental	17,895	17,895	
Investment earnings	45	45	
Miscellaneous	2,539	2,539	
Total revenues	<u>348,992</u>	<u>348,992</u>	
EXPENDITURES			
Current:			
General government	101,751	101,751	
Public safety	12,425	12,425	
Transportation	113,830	113,830	
Debt service:			
Principal retirement	6,983	6,983	
Interest and other charges	12,304	12,304	
Capital outlay	-	-	
Total expenditures	<u>247,293</u>	<u>247,293</u>	
Revenues over (under) expenditures	<u>101,699</u>	<u>101,699</u>	
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	-	-	
Transfer from other funds	-	-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	
Net change in fund balance	101,699	101,699	
Fund balances, beginning as previously reported	<u>469,275</u>	<u>469,275</u>	
Fund balances, ending	<u>\$ 570,974</u>	<u>\$ 570,974</u>	

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

Exhibit 4

Town of Elk Park, 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	\$	101,699
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 30,022	
Depreciation expense for governmental assets	<u>(40,814)</u>	(10,792)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,457
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OPEB benefit payments and administrative cost made in the current fiscal year are not included on the Statement of Activities	57,812
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(1,115)

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

New long-term debt issued	-	
Principal payments on long-term debt	6,983	
Decrease in accrued interest payable	<u>118</u>	7,101

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

Compensated absences	2,483	
Pension expense	(3,060)	
OPEB plan expenses	<u>(9,407)</u>	(9,984)

Total changes in net position of governmental activities	\$	<u>149,178</u>
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The notes to the financial statements are an integral part of this statement.

Exhibit 5

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 69,500	\$ 69,500	\$ 72,089	\$ 2,589
Unrestricted intergovernmental	210,500	210,500	256,424	45,924
Restricted intergovernmental	14,000	14,000	17,895	3,895
Investment earnings	3,600	3,600	45	(3,555)
Miscellaneous	500	500	2,539	2,039
Total revenues	298,100	298,100	348,992	50,892
Expenditures:				
Current:				
General government	203,800	138,800	101,751	37,049
Public Safety	26,700	26,700	12,425	14,275
Transportation	52,500	117,500	113,830	3,670
Debt service:				
Principal retirement	7,000	7,000	6,983	17
Interest and other charges	12,500	12,500	12,304	196
Total expenditures	302,500	302,500	247,293	55,207
Revenues over (under) expenditures	(4,400)	(4,400)	101,699	106,099
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund balance appropriated	4,400	4,400	-	(4,400)
Net change in fund balance	\$ -	\$ -	101,699	\$ 101,699
Fund balances, beginning as previously reported			469,275	
Fund balances, ending			\$ 570,974	

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

Exhibit 6

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

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 166,086	\$ 166,086
Accounts receivable (net) - billed	28,249	28,249
Accounts receivable - other	-	-
Due from other governments	-	-
Prepaid items	-	-
Restricted cash and cash equivalents	15,940	15,940
Total current assets	<u>210,275</u>	<u>210,275</u>
Noncurrent assets:		
Net pension asset	-	-
Capital assets:		
Land and other non-depreciable assets	18,511	18,511
Other capital assets, net of depreciation	<u>2,031,690</u>	<u>2,031,690</u>
Capital assets (net)	<u>2,050,201</u>	<u>2,050,201</u>
Total noncurrent assets	<u>2,050,201</u>	<u>2,050,201</u>
Total assets	<u>\$ 2,260,476</u>	<u>\$ 2,260,476</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	\$ 13,482	\$ 13,482
OPEB Deferrals	<u>73,473</u>	<u>73,473</u>
Total deferred outflows of resources	<u>\$ 86,955</u>	<u>\$ 86,955</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,444	\$ 1,444
Compensated absences - current	3,000	3,000
General obligations bonds - current	8,500	8,500
Liabilities payable from restricted assets:		
Customer deposits	<u>15,940</u>	<u>15,940</u>
Total current liabilities	<u>28,884</u>	<u>28,884</u>
Noncurrent Liabilities:		
Compensated absences - noncurrent	4,998	4,998
Total OPEB liability	<u>372,834</u>	<u>372,834</u>
Net pension liability	23,816	23,816
General obligations bonds - noncurrent	<u>182,000</u>	<u>182,000</u>
Total noncurrent liabilities	<u>583,648</u>	<u>583,648</u>
Total liabilities	<u>612,532</u>	<u>612,532</u>
DEFERRED INFLOW OF RESOURCES		
Pension deferrals	248	248
OBEP deferrals	<u>19,631</u>	<u>19,631</u>
NET POSITION		
Net investment in capital assets	1,859,701	1,859,701
Unrestricted	<u>(144,681)</u>	<u>(144,681)</u>
Total net position	<u>\$ 1,715,020</u>	<u>\$ 1,715,020</u>

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

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

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 287,521	\$ 287,521
Water and sewer taps	4,000	4,000
Other operating revenues	12,436	12,436
Total operating revenues	<u>303,957</u>	<u>303,957</u>
OPERATING EXPENSES		
Water treatment and sewer operations	305,607	305,607
Depreciation	116,744	116,744
Total operating expenses	<u>422,351</u>	<u>422,351</u>
Operating income (loss)	<u>(118,394)</u>	<u>(118,394)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	40	40
Interest on bonds and other charges	(9,677)	(9,677)
Total nonoperating revenue (expenses)	<u>(9,637)</u>	<u>(9,637)</u>
Income (loss) before contributions and transfers	<u>(128,031)</u>	<u>(128,031)</u>
Transfer from other funds	<u>-</u>	<u>-</u>
Change in net position	<u>(128,031)</u>	<u>(128,031)</u>
Net position, beginning	<u>1,843,051</u>	<u>1,843,051</u>
Net position, ending	<u>\$ 1,715,020</u>	<u>\$ 1,715,020</u>

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

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

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 288,230	\$ 288,230
Cash paid for goods and services	(136,357)	(136,357)
Cash paid to or on behalf of employees for services	(110,038)	(110,038)
Customer deposits received / returned	(11,810)	(11,810)
Other operating revenues	12,436	12,436
Net cash provided (used) by operating activities	42,461	42,461
CASH FLOWS FROM NONCAPITAL FINANCING		
Transfer from other funds	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bond maturities	(8,000)	(8,000)
Interest paid on bond maturities	(9,677)	(9,677)
Acquisition and construction of capital assets	(3,500)	(3,500)
Net increase (decrease) in cash and cash equivalents	(21,177)	(21,177)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	40	40
Net increase (decrease) in cash and cash equivalents	21,324	21,324
Balances, beginning	160,702	160,702
Balances, ending	\$ 182,026	\$ 182,026
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (118,394)	\$ (118,394)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	116,744	116,744
Changes in assets deferred outflows or resources, and liabilities:		
(Increase) decrease in accounts receivable	709	709
(Increase) decrease in deferred outflows of resources - pensions	(2,058)	(2,058)
(Increase) decrease in deferred outflows of resources - OPEB	(60,983)	(60,983)
Increase (decrease) in net pension liability	4,723	4,723
Increase (decrease) in deferred inflows of resources - pensions	131	131
Increase (decrease) in deferred inflows of resources - OPEB	(1,736)	(1,736)
Increase (decrease) in accounts payable and accrued liabilities	(20,262)	(20,262)
Increase (decrease) in customer deposits	(11,810)	(11,810)
Increase (decrease) in vacation pay	(2,252)	(2,252)
Increase (decrease) in OPEB liability	137,649	137,649
Total adjustments	160,855	160,855
Net cash provided by operating activities	\$ 42,461	\$ 42,461

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

Town of Elk Park, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Elk Park 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 Elk Park is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major

governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

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

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

Proprietary funds distinguish operating revenues and 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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new 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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Elk Park because the tax is levied by Avery 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 Fund. All annual appropriations lapse at the fiscal-year end. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public

authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered 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 also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Elk Park Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 5,905
Total Governmental Activities	<u>\$ 5,905</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 15,940
Total Business-type Activities	<u>\$ 15,940</u>
Total Restricted Cash	<u>\$ 21,845</u>

4. Ad Valorem Taxes Receivable

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

has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$1,500 for all capital assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	25
Vehicles	5
Furniture and equipment	7
Computer Equipment	5
Computer Software	5

7. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be

recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals. 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 pension and OPEB deferrals.

8. Long-Term Obligation

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

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

8. 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 and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

9. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-89(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding

encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

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

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

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

The Town of Elk Park 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.

The Town of Elk Park has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

10. Defined Benefit Cost-Sharing Plans

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 of Elk Park's employer contributions are recognized when due and the Town of Elk Park 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

Our audit for the fiscal year ended June 30, 2021 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$497,466 and a bank balance of \$500,893. Of the bank balance, \$255,900 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2021, the Town of Elk Park had \$212,865 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. Receivables – Allowances for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$ 1,042
Total	<u>\$ 1,042</u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	2,000	-	-	2,000
Capital assets being depreciated:				
Buildings	591,812	-	-	591,812
Other improvements	161,450	5,522	-	166,972
Equipment	93,127	-	-	93,127
Vehicles	70,638	-	-	70,638
Infrastructure	202,694	24,500	-	227,194
Total capital assets being depreciated	1,119,721	30,022	-	1,149,743
Less accumulated depreciation for:				
Buildings	158,417	14,925	-	173,342
Other improvements	80,019	6,136	-	86,155
Equipment	78,804	6,052	-	84,856
Vehicles	67,830	2,808	-	70,638
Infrastructure	96,456	10,893	-	107,349
Total accumulated depreciation	481,526	\$ 40,814	\$ -	522,340
Total capital assets being depreciated, net	638,195			627,403
Governmental activity capital assets, net	<u>\$ 640,195</u>			<u>\$ 629,403</u>

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

General government	\$ 25,847
Public safety	-
Transportation	<u>14,967</u>
Total depreciation expense	<u>\$ 40,814</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and sewer fund:</i>				
Capital assets not being depreciated:				
Land	\$ 18,511	\$ -	\$ -	\$ 18,511
Construction in progress	-	-	-	-
Total capital assets not being depreciated	18,511	-	-	18,511
Capital assets being depreciated:				
Buildings	75,439	-	-	75,439
Wells, substations, lines, and related equipment	4,183,045	-	-	4,183,045
Equipment	124,556	3,500	-	128,056
Vehicles	35,486	-	3,000	32,486
Total capital assets being depreciated	4,418,526	3,500	3,000	4,419,026
Less accumulated depreciation for:				
Buildings	22,758	1,965	-	24,723
Wells, substations, lines, and related equipment	2,158,458	103,922	-	2,262,380
Equipment	56,890	10,857	-	67,747
Vehicles	35,486	-	3,000	32,486
Total accumulated depreciation	2,273,592	\$ 116,744	\$ 3,000	2,387,336
Total capital assets being depreciated, net	2,144,934			2,031,690
Business-type activity capital assets, net	<u>\$ 2,163,445</u>			<u>\$ 2,050,201</u>

Construction commitments

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

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Elk Park is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Elk Park employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Elk Park's contractually required

contribution rate for the year ended June 30, 2021, was 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 of Elk Park were \$9,182 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$39,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.00110%, which was a decrease of .00008% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$13,374. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,964	\$ -
Changes of assumptions	2,925	-
Net difference between projected and actual earnings on pension plan investments	5,531	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	148	314
Town contributions subsequent to the measurement date	9,181	-
	<u>\$ 22,749</u>	<u>\$ 314</u>

\$9,181 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 3,751
2023	4,984
2024	2,884
2025	1,637
2026	-
Thereafter	-

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	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

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

plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 discounted rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 79,751	\$ 39,308	\$ 5,696

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

b. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of September 1, 2015, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System). Retirees must have at least 10 years of creditable service with the Town and be at least 55 years of age. The Town pays the full cost of coverage for employees' benefits through private insurers. Once the retiree is eligible for Medicare supplements the Town will pay up to \$250 of Medicare supplements. Employees have the option of purchasing dependent coverage at the Town's group rates. Retirees must select retiree coverage for dependents within 30 days of retirement and dependents must be covered for one year or longer as a dependent of the retiree. Employees hired on or after September 1, 2015 who retire with less than 10 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-September 1, 2015	On or After September 1, 2015
Less than 10 years	Not eligible for coverage	Not eligible for coverage
10+ years	Full coverage paid for by Town	Full coverage paid for by Town

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

	General Employees
Retirees and dependents receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	
Active plan members	3
Total	<u>4</u>

Total OPEB Liability

The Town's total OPEB liability of \$488,225 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Medical - 6.5%
	Prescription - 7.25%
	Admin Expenses - 3.00%

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 379,647
Changes for the year	
Service cost	13,654
Interest	13,498
Changes of benefit terms	-
Differences between expected and actual experience	8,890
Changes in assumptions or other inputs	87,989
Benefit payments	(15,453)
Net changes	<u>\$ 108,578</u>
Balance at June 30, 2020	<u>\$ 488,225</u>

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

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

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

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

	1% Decrease	Discount Rate (2.21%)	1% Increase
Total OPEB liability	\$ 576,917	\$ 488,225	\$ 417,867

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

	(Medical - 5.5%, Prescription - 6.25%, Admin Expenses - 2.00%)	Discount Rate (Medical - 6.5%, Prescription - 7.25%, Admin Expenses - 3.00%)	(Medical - 7.5%, Prescription - 8.25%, Admin Expenses - 4.00%)
Total OPEB liability	\$ 407,407	\$ 488,225	\$ 592,639

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$39,196. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,342	\$ -
Changes of assumptions	72,871	25,707
Benefit payments and administrative costs made subsequent to the measurement date	4,685	-
Total	<u>\$ 100,898</u>	<u>\$ 25,707</u>

\$4,685 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 9,182
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	4,685
Differences between expected and actual experience	28,306
Changes of assumptions	75,796
Net difference between projected and actual	5,530
Changes in proportion and differences between employer contributions and proportionate share of contributions	148
Charge on refunding	-
Total	<u>\$ 123,647</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable, less penalties (General Fund)	-	1,196
Changes in assumptions	25,707	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	314	-
Total	<u>\$ 26,021</u>	<u>\$ 1,196</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of

Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town carries limited flood insurance through the North Carolina League of Municipalities. The flood insurance plan provides coverage to buildings and contents that are located in designated flood zones. The plan has a \$50,000 deductible for flood losses in designated flood zones.

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 and the tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

5. Long-term Obligation

a. Note Payable/ Construction loan

On January 15, 2013, the Town signed a note payable to the USDA in the amount of \$436,850 for the new town hall building. The note is due and payable in yearly installments of \$19,287 with annual interest rate of 3.125%. The first payment was paid on January 15, 2014.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	7,202	12,085
2023	7,427	11,860
2024	7,659	11,628
2025	7,899	11,388
2026	8,146	11,141
2027-2031	44,710	51,725
2032-2036	41,068	36,080
2037-2041	58,984	37,451
2042-2046	68,799	27,636
2047-2051	80,247	16,188
2052-2053	54,423	3,438
	<u>\$ 386,564</u>	<u>\$ 230,620</u>

b. General Obligation Indebtedness

The Town's general obligation bonds serviced by the enterprise fund were issued 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.

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

Serviced by the Water and Sewer Fund

Sewer bonds, dated January 20, 1998, at 4.875% interest, various annual maturities through June 1, 2037

\$ 190,500

At June 30, 2021, the Town of Elk Park had no bonds authorized but unissued and had a legal debt margin of \$1,330,361.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Principal	Interest
2022	8,500	9,287
2023	9,000	8,872
2024	9,500	8,434
2025	10,000	7,970
2026	10,000	7,483
2027-2031	60,000	29,372
2032-2036	41,500	12,261
2037-2038	42,000	2,048
Total	<u>\$ 190,500</u>	<u>\$ 85,727</u>

b. Changes in Long-Term Liabilities

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

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Current Portion of Balance
Governmental activities					
Compensated absences	\$ 4,591	\$ 816	\$ 3,299	\$ 2,108	\$ 1,500
Total OPEB liability	144,462	-	29,071	115,391	-
Net pension liability (LGERS)	13,132	2,360	-	15,492	-
Note Payable	-	-	-	-	-
Note Payable - USDA	393,547	-	6,983	386,564	7,202
Governmental activity long-term liabilities	<u>\$ 555,732</u>	<u>\$ 3,176</u>	<u>\$ 39,353</u>	<u>\$ 519,555</u>	<u>\$ 8,702</u>
Business-type activities					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability	235,185	137,649	-	372,834	-
Net pension liability (LGERS)	19,093	4,723	-	23,816	-
General obligation bonds	198,500	-	8,000	190,500	8,500
Compensated absences	10,251	2,640	4,893	7,998	3,000
Business-type activity long-term liabilities	<u>\$ 463,029</u>	<u>\$ 145,012</u>	<u>\$ 12,893</u>	<u>\$ 595,148</u>	<u>\$ 11,500</u>

C. Interfund Balances and Activity

There were no transfers to or from other funds at June 30, 2021.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 629,403	\$ 2,050,201
less: long-term debt	386,564	190,500
Net investment in capital assets	<u>\$ 242,839</u>	<u>\$ 1,859,701</u>

E. 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	\$ 570,974
Less:	
Stabilization by State Statute	46,660
Streets - Powell Bill	5,905
Appropriated Fund Balance in 2022 Budget	28,500
Working Capital / Fund Balance Policy	75,625
Remaining Fund Balance	414,284

The Town of Elk Park has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with seven counties and eighteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$510 to the Council during the fiscal year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 12, 2021 – the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in the Total OPEB Liability

Town of Elk Park, North Carolina
Town of Elk Park's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Town of Elk Park's proportion of the net pension liability (asset) (%)	0.00110%	0.00118%	0.00130%	0.00138%	0.14400%	0.15400%	0.00155%	0.00160%
Town of Elk Park's proportion of the net pension liability (asset) (\$)	39,308	32,225	30,840	21,083	30,562	6,911	(9,141)	19,286
Town of Elk Park's covered-employee payroll	90,460	88,019	95,909	98,186	92,438	90,598	86,029	85,981
Town of Elk Park's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.434%	0.366%	0.322%	0.215%	.033%	7.63%	(10.62%)	0.224%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

Town of Elk Park, North Carolina
Town of Elk Park's Contributions
Required Supplementary Information
Last Five Fiscal Years

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 9,182	\$ 7,890	\$ 7,655	\$ 7,193	\$ 7,118	\$ 6,166	\$ 6,966	\$ 6,616
Contributions in relation to the contractually required contribution	9,182	7,890	7,655	7,193	7,118	6,166	6,966	6,616
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Elk Park's covered-employee payroll	\$ 90,460	\$ 88,153	\$ 98,779	\$ 95,909	\$ 98,186	\$ 92,438	\$ 90,598	\$ 86,029
Contributions as a percentage of covered- employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.69%	7.69%

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

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 13,654	\$ 11,920	\$ 12,602	\$ 14,182
Interest	13,498	13,135	11,963	10,492
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	8,890	24,271	84	7
Changes of assumptions	87,989	(4,998)	(18,456)	(32,822)
Benefit payments	(15,453)	(4,630)	(4,540)	(4,222)
Net change in total OPEB liability	108,578	39,698	1,653	(12,363)
Total OPEB liability - beginning	379,647	339,949	338,296	350,659
Total OPEB liability - ending	<u>\$ 488,225</u>	<u>\$ 379,647</u>	<u>\$ 339,949</u>	<u>\$ 338,296</u>
 Covered payroll	 90,460	 88,153	 100,081	 97,049
Total OPEB liability as a percentage of covered payroll	5.39%	4.31%	3.39%	3.48%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.09%

Individual Fund Statements and Schedules

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 70,013	\$
Interest		2,336	
Releases and refunds		(260)	
Total	69,500	72,089	2,589
Unrestricted intergovernmental:			
Local option sales taxes		233,754	
Beer tax		1,252	
Telecommunications sales tax		2,126	
Utility franchise tax		15,570	
Solid waste tax		340	
Video franchise fee		3,382	
Total	210,500	256,424	45,924
Restricted intergovernmental:			
Grant revenue		5,581	
Powell Bill allocation		12,314	
Total	14,000	17,895	3,895
Investment earnings	3,600	45	(3,555)
Miscellaneous:			
Donations		-	
Other		2,539	
Total	500	2,539	2,039
Total revenues	298,100	348,992	50,892
Expenditures:			
General government:			
Salaries and employee benefits		25,500	
Professional services		22,585	
Utilities		13,257	
Telephone and postage		3,848	
Insurance		11,777	
Election expense		-	
Supplies		6,809	
Other operating expenses		17,975	
Capital outlay		-	
Total	138,800	101,751	37,049
Public safety			
Salaries and employee benefits		10,852	

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

	Budget	Actual	Variance Positive (Negative)
Other operating expenses		1,573	
Capital outlay		-	
Total	26,700	12,425	14,275
Transportation:			
Streets and highways:			
Salaries and employee benefits		56,149	
Street repairs and maintenance		2,881	
Supplies		17,518	
Other operating expenses		7,260	
Capital outlay		30,022	
Total	117,500	113,830	3,670
Debt service:			
Principal retirement	7,000	6,983	
Interest and other charges	12,500	12,304	
Total debt service	19,500	19,287	213
Total expenditures	302,500	247,293	55,207
Revenues over (under) expenditures	(4,400)	101,699	106,099
Other financing sources (uses):			
Transfers from other funds:			
General fund - capital projects fund	-	-	-
Enterprise fund	-	-	-
Total	-	-	-
Fund balance appropriated	4,400	-	(4,400)
Net Change in Fund Balance	\$ -	101,699	\$ 101,699
Fund balances, beginning as previously reported		469,275	
Fund balances, ending		\$ 570,974	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water and sewer sales	\$	\$ 287,521	\$
Water and sewer taps		4,000	
Other operating revenues		12,436	
Total operating revenues	288,000	303,957	15,957
Nonoperating revenues:			
Interest earnings		40	
Total nonoperating revenues	-	40	40
Total revenues	288,000	303,997	15,997
Expenditures:			
Water treatment and sewer operations			
Salaries and employee benefits		110,038	
Supplies		34,764	
Repairs and maintenance		21,958	
Utility service fees		46,314	
Postage and Telephone		5,445	
Contract services		7,788	
Miscellaneous		811	
Uniforms and Cleaning		866	
Permits and fees		1,894	
Professional fees		255	
Total water treatment and sewer operations	283,500	230,133	53,367
Debt service			
Interest and other charges	10,000	9,677	323
Principal retirement	8,000	8,000	-
Total debt service	18,000	17,677	323
Capital outlay:			
Water and sewer improvements	12,000	3,500	8,500
Total capital outlay	12,000	3,500	8,500
Total expenditures	313,500	251,310	62,190
Other financing sources (uses):			
Transfer to other fund:			
General fund	-	-	-
Appropriated fund balance	25,500	-	(25,500)

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total other financing sources (uses)	<u>25,500</u>	<u>-</u>	<u>(25,500)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>52,687</u>	<u>\$ 52,687</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		52,687	
Reconciling items:			
Principal retirements		8,000	
Decrease (Increase) in accrued vacation pay		2,252	
Capital outlay		3,500	
Decrease in net pension asset		-	
Increase (decrease) in deferred outflows of resources - pensions		2,058	
Increase (decrease) in deferred outflows of resources - OPEB		60,983	
(Increase) decrease in deferred inflows of resources - OPEB		1,736	
(Increase) decrease in OPEB liability		(137,649)	
Decrease (increase) in net pension liability		(4,723)	
Decrease (increase) in deferred inflows of resources - pensions		(131)	
Increase in accrued OPEB liability		-	
Capital contributions		-	
Depreciation		<u>(116,744)</u>	
Total reconciling items		<u>(180,718)</u>	
Net income		<u>\$ (128,031)</u>	

Town of Elk Park, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$	\$ 57,796	\$ 57,341	\$ 455
Vehicle taxes		11,527	11,527	-
2019-2020	1,383	-	1,097	286
Vehicle taxes	-	-	-	-
2018-2019	1,000	-	975	25
Vehicle taxes	-	-	-	-
2017-2018	202	-	202	-
Vehicle taxes	-	-	-	-
2016-2017	-	-	-	-
Vehicle taxes	-	-	-	-
2015-2016	-	-	-	-
Vehicle taxes	-	-	-	-
2014-2015	-	-	-	-
Vehicle taxes	-	-	-	-
2013-2014	-	-	-	-
Vehicle taxes	-	-	-	-
2012-2013	-	-	-	-
Vehicle taxes	577	-	-	577
2011-2012	-	-	-	-
Vehicle taxes	895	-	-	895
2010-2011	-	-	-	-
Vehicle taxes	5	-	5	-
	<u>\$ 4,062</u>	<u>\$ 69,323</u>	<u>\$ 71,147</u>	<u>2,238</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>1,042</u>
Ad valorem taxes receivable - net				<u>\$ 1,196</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 72,089
Reconciling items:				
Interest collected				(2,336)
Releases and refunds				260
Taxes written off per statute				1,134
Total collections and credits				<u>\$ 71,147</u>

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 23,024,250	0.30	\$ 69,073	\$ 57,546	\$ 11,527
Penalties	-		-	-	-
Total	<u>23,024,250</u>		<u>69,073</u>	<u>57,546</u>	<u>11,527</u>
Discoveries:					
Current year taxes	450,919	0.30	1,353	1,353	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>450,919</u>		<u>1,353</u>	<u>1,353</u>	<u>-</u>
Abatements	<u>367,648</u>	0.30	<u>(1,103)</u>	<u>(1,103)</u>	<u>-</u>
Total property valuation	<u>\$ 23,842,817</u>				
Net levy			69,323	57,796	11,527
Uncollected taxes at June 30, 2020			<u>(455)</u>	<u>(455)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 68,868</u>	<u>\$ 57,341</u>	<u>\$ 11,527</u>
Current levy collection percentage			<u>99.34%</u>	<u>99.21%</u>	<u>100.00%</u>