

TOWN OF FRANKLINTON
FINANCIAL STATEMENTS
FRANKLINTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021

Town of Franklinton North Carolina

Appointed Positions

June 30, 2021

Mayor

Art Wright

Town Commisioners

John Allers

Anita Fuller

Alvin Holden

Phil Meador

Judy Mcarn

Appointed Positions

Gregory Bethea, Town Manager

Candy Bowman, Finance Director

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JUNE 30, 2021

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Independent Auditors' Report

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit and each major fund of the Town of Franklinton, 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 Franklinton'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Franklinton ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and each major fund of the Town of Franklinton, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, 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 the Management's Discussion and Analysis on pages 8 through 15, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 40 and 41, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 42 and 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedule and other schedules 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 the budgetary schedule and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the Town of Franklinton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Franklinton, North Carolina's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

December 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

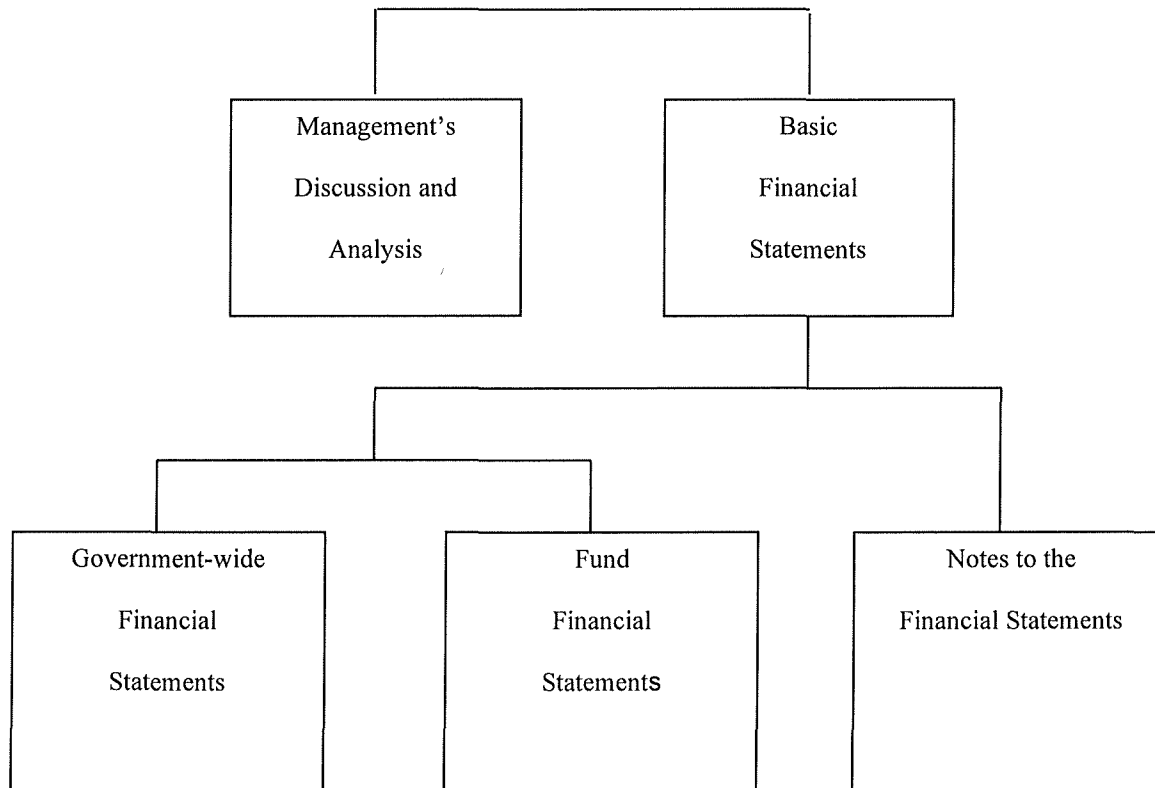
- The assets and deferred outflows of resources of the Town of Franklinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,018,172 (*net position*).
- As of the close of the current fiscal year, the Town of Franklinton's governmental funds reported combined ending fund balances of \$998,656 an increase of \$333,531 from the prior year. Approximately 77.74 percent of this total amount, or \$776,313 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

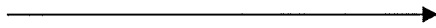
This discussion and analysis are intended to serve as an introduction to the Town of Franklinton's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 Franklinton.

Required Components of Annual Financial Report

Figure 1



Summary



Detail

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 public safety, transportation, environmental protection, cultural and recreation, and general government. Property taxes and state and federal grant funds finance most of these activities. The Town has not business-type activities.

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

Fund Financial Statements

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

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

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 start on page 22 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 Franklinton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 40 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 change in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Franklinton's Net Position

Figure 2 – Government-wide

	2021	2020
Current and other assets	\$ 1,024,801	\$ 790,665
Capital assets	2,155,343	2,287,636
Deferred outflows of resources	240,465	227,202
Total assets and deferred outflows of resources	<u>3,420,609</u>	<u>3,305,503</u>
Current Liabilities	280,121	232,236
Other Liabilities	1,097,685	1,175,577
Deferred inflows of resources	24,631	33,174
Total liabilities and deferred inflows of resources	<u>1,402,437</u>	<u>1,440,987</u>
Net position		
Net investment in capital assets	1,562,251	1,452,065
Restricted	222,343	205,199
Unrestricted	<u>233,578</u>	<u>207,252</u>
Total net position	<u>\$ 2,018,172</u>	<u>\$ 1,864,516</u>

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 Franklinton exceeded liabilities and deferred inflows by \$2,018,172 as of June 30, 2021. The Town's net position increased by \$153,656 for the fiscal year ended June 30, 2021. However, the largest portion (77.41%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Franklinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Franklinton'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 Franklinton's net position, \$222,343 (11.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$233,578 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.53%.

**Town of Franklinton
Changes in Net Position
Figure 3 - Government-wide**

	2021	2020
Revenues		
Charges for services	\$ 272,611	\$ 231,070
Operating grants and contributions	485,318	130,598
Unrestricted intergovernmental	127,071	-
Property taxes	1,041,997	954,620
Other taxes	471,072	635,075
Investment earnings	887	6,959
Other	227,853	85,213
Total revenues	<u>2,626,809</u>	<u>2,043,535</u>
Expenses		
General Government	919,693	716,701
Public Safety	584,755	674,589
Environmental Protection	188,255	121,766
Streets	721,794	408,276
Cultural and Recreation	36,800	41,489
Cemetery	-	1,351
Interest	21,856	9,715
Total expenses	<u>2,473,153</u>	<u>1,973,887</u>
Increase in net position	153,656	69,648
Net position, Beginning	<u>1,864,516</u>	<u>1,794,868</u>
Net position, Ending	<u><u>\$ 2,018,172</u></u>	<u><u>\$ 1,864,516</u></u>

Governmental activities: Governmental activities increased the Town's net position by \$153,656, accounting for 18.3% of the total growth in net position of the Town of Franklinton. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to minimum and implemented cost saving strategies across Town departments. Management believes healthy investment in the Town will result in additional revenues. Increased efforts to maximize tax collections contributed to the favorable net position. Tax revenues did not appreciably decline in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Financial Analysis of the Town of Franklinton Funds

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

Governmental Funds. The focus of the Town of Franklinton'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 Franklinton'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 Franklinton. At the end of the current fiscal year, the Town of Franklinton's total fund balance reached \$998,656, which is in the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The Town of Franklinton has not adopted a policy for maintaining a certain percentage of fund balance over general fund expenditures to maintain unforeseen needs or opportunities.

At June 30, 2021, the governmental funds of the Town of Franklinton reported a combined fund balance of \$998,656, a 42.9 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Franklinton's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$2,155,343 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Town of Franklinton
Fixed Assets, Net of Depreciation
Figure 4

	2021	2022
Land	\$ 226,594	\$ 226,594
Buildings	758,093	791,878
Equipment and furniture	120,050	339,468
Vehicles	387,821	260,500
Infrastructure	662,785	669,194
Total	<u>\$ 2,155,343</u>	<u>\$ 2,287,634</u>

Long-term Debt. As of June 30, 2021, the Town of Franklinton had total installment debt of \$629,092. The installment debt is backed by security interests in the property for which it was issued.

The remainder of the Town's debt represents employment related benefits (e.g. compensated absences and pension related debt) of \$730,634.

Town of Franklinton's Outstanding Debt

The Town of Franklinton's total debt decreased by \$206,480 or 24.7% during the past fiscal year, primarily due to the principal payments.

Additional information regarding the Town of Franklinton's long-term debt can be found beginning on page 42 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town maintained a tax rate of .72 per \$100.00 valuation.
- The Town maintained stable water and sewer rates for the fourth year in a year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes (benefiting from the economic growth of recent new business) and revenues from permits and fees are expected to show a slight increase in budgeted revenue. Property tax rate has been maintained at .72 per \$100 valuation in the fiscal year ending June 30, 2022.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Greg Bethea, Town Manager, Franklinton, N. C. 27882.

**Town of Franklinton
Statement of Net Position
June 30, 2021**

Exhibit 1

	Primary Government		Franklinton
	Governmental		
	Activities	Total	ABC Board
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 794,394	\$ 794,394	\$ 123,511
Taxes receivables (net)	8,065	8,065	-
Accounts receivable (net)	10,435	10,435	-
Due from components unit	91,128	91,128	-
Inventories	-	-	202,131
Prepaid items	-	-	8,728
Due from other governments	120,779	120,779	-
Total current assets	1,024,801	1,024,801	334,370
Noncurrent asset:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Land and construction in progress	226,592	226,592	-
Other capital assets, net of depreciation	1,928,751	1,928,751	92,193
Total capital assets (net)	2,155,343	2,155,343	92,193
Total noncurrent assets	2,155,343	2,155,343	92,193
Total assets	3,180,144	3,180,144	426,563
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LEO	128,217	128,217	-
Pension deferrals	112,248	112,248	15,229
Total deferred outflows of resources	240,465	240,465	15,229
LIABILITIES			
Current liabilities:			
Accounts payable	18,080	18,080	243,012
Current portion of compensated absences	51,857	51,857	-
Current portion of long-term debt	210,184	210,184	23,115
Total current liabilities	280,121	280,121	266,127
Non-current liabilities:			
Net pension liability - LGERS	307,672	307,672	-
Total pension liability - LEO	371,105	371,105	13,222
Non-current portion of long-term debt	418,908	418,908	38,968
Total long-term liabilities	1,097,685	1,097,685	52,190
Total liabilities	1,377,806	1,377,806	318,317
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,713	2,713	-
Pension deferrals - LEO	21,918	21,918	-
Total deferred inflows of resources	24,631	24,631	-
NET POSITION			
Net investment in capital assets	1,562,251	1,562,251	30,110
Restricted for:			
Stabilization by State Statute	222,343	222,343	-
Streets	-	-	-
Other functions	-	-	75,139
Unrestricted	233,578	233,578	18,226
Total net position	\$ 2,018,172	\$ 2,018,172	\$ 123,475

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

Exhibit 2

Town of Franklinton
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Franklinton ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Total	
Primary government:							
Governmental Activities:							
General government	\$ 919,693	\$ 37,028	\$ 360,223	\$ -	\$ (522,442)	\$ (522,442)	\$ -
Public safety	584,755	7,147	61,579	-	(516,029)	(516,029)	-
Streets	721,794	-	62,292	-	(659,502)	(659,502)	-
Environmental protection	188,255	228,436	1,224	-	41,405	41,405	-
Cultural and recreational	36,800	-	-	-	(36,800)	(36,800)	-
Interest on long-term debt	21,856	-	-	-	(21,856)	(21,856)	-
Total governmental activities	2,473,153	272,611	485,318	-	(1,715,224)	(1,715,224)	-
Total primary government	\$ 2,473,153	\$ 272,611	\$ 485,318	\$ -	(1,715,224)	(1,715,224)	-
Component units:							
ABC Board	\$ 1,976,932	\$ 1,980,798	\$ -	\$ -	-	-	3,866
General revenues:							
Ad valorem taxes					1,041,997	1,041,997	-
Unrestricted intergovernmental					127,071	127,071	-
Other taxes and licenses					471,072	471,072	-
Interest earned on investments, unrestricted					887	887	334
Miscellaneous, unrestricted					227,853	227,853	-
Total general revenues					1,868,880	1,868,880	334
Change in net position					153,656	153,656	4,200
Net position, beginning					1,864,516	1,864,516	119,275
Net position, ending					\$ 2,018,172	\$ 2,018,172	\$ 123,475

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

**Town of Franklinton
Balance Sheet
Governmental Funds
June 30, 2021**

	<u>Major</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 794,394	\$ 794,394
Receivables, net:		-
Taxes	8,065	8,065
Accounts	10,435	10,435
Due from other governments	120,779	120,779
Due from component unit	91,128	91,128
Total assets	<u>\$ 1,024,801</u>	<u>\$ 1,024,801</u>
LIABILITIES		
Accounts payable	\$ 18,080	\$ 18,080
Total liabilities	<u>18,080</u>	<u>18,080</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	8,065	8,065
Total deferred inflows of resources	<u>8,065</u>	<u>8,065</u>
FUND BALANCES		
Nonspendable		
Prepaid items	-	-
Restricted		
Stabilization by State Statute	222,343	222,343
Unassigned	776,313	776,313
Total fund balances	<u>998,656</u>	<u>998,656</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,024,801</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

2,155,343

Earned revenues considered deferred inflows of resources in fund statements.

8,065

Long-term debt

(629,092)

Pension related deferrals

215,834

Net pension liability

(307,672)

Total pension liability

(371,105)

Other long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.

(51,857)

Net position of governmental activities

\$ 2,018,172

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

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

	<u>Major</u>		<u>Total</u>
	<u>General Fund</u>		<u>Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,101,536	\$	1,101,536
Other taxes and licenses	471,072		471,072
Unrestricted intergovernmental	127,071		127,071
Restricted intergovernmental	485,318		485,318
Permits and fees	24,375		24,375
Sales and services	443,908		443,908
Investment earnings	887		887
Miscellaneous	32,181		32,181
Total revenues	<u>2,686,348</u>		<u>2,686,348</u>
EXPENDITURES			
Current:			
General government	811,179		811,179
Public safety	532,937		532,937
Streets	629,919		629,919
Environmental protection	187,444		187,444
Cultural and recreational	35,163		35,163
Capital outlay	30,446		30,446
Principal reduction	125,729		125,729
Total expenditures	<u>2,352,817</u>		<u>2,352,817</u>
Excess (deficiency) of revenues over expenditures	<u>333,531</u>		<u>333,531</u>
Revenues over (under) expenditures	333,531		333,531
Other financing sources:			
Transfer (to) from other funds	-		-
Insurance settlement	-		-
Sale of capital assets	-		-
Total other financing sources	<u>-</u>		<u>-</u>
Revenues and other sources over expenditures and other sources	333,531		333,531
Fund balances, beginning	665,125		665,125
Fund balances, ending	<u>\$ 998,656</u>	<u>\$</u>	<u>998,656</u>

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

Town of Franklinton
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
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		\$ 333,531
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	30,446	
Depreciation expense for governmental assets	<u>(163,641)</u>	
		(133,195)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		-
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows for tax revenues		(59,539)
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	<u>206,480</u>	
		206,480
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(16,957)
Pension expense		<u>(176,664)</u>
Total changes in net position of governmental activities		<u>\$ 153,656</u>

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

Town of Franklinton
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,142,400	\$ 1,142,400	\$ 1,101,536	\$ (40,864)
Other taxes and licenses	343,000	343,000	471,072	128,072
Unrestricted intergovernmental	126,500	126,500	127,071	571
Restricted intergovernmental	244,950	244,950	485,318	240,368
Permits and fees	39,230	39,230	24,375	(14,855)
Sales and services	253,800	253,800	443,908	190,108
Investment earnings	1,000	1,000	887	(113)
Miscellaneous	33,200	33,200	32,181	(1,019)
Total revenues	<u>2,184,080</u>	<u>2,184,080</u>	<u>2,686,348</u>	<u>502,268</u>
Expenditures:				
Current:				
General government	574,750	574,750	811,179	(236,429)
Public safety	656,430	656,430	532,937	123,493
Streets	559,661	559,661	629,919	(70,258)
Environmental protection	215,500	215,500	187,444	28,056
Cultural and recreational	35,900	35,900	35,163	737
Capital outlay	30,446	30,446	30,446	-
Debt service	111,393	111,393	125,729	(14,336)
Total expenditures	<u>2,184,080</u>	<u>2,184,080</u>	<u>2,352,817</u>	<u>(168,737)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>333,531</u>	<u>333,531</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>333,531</u>	<u>\$ 333,531</u>
Fund balances, beginning			<u>665,125</u>	
Fund balances, ending			<u>\$ 998,656</u>	

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

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

I. Summary of Significant Accounting Policies

The Town of Franklinton (the Town) and its discretely presented component unit located in the Piedmont section of North Carolina. The Town maintains a police department.

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

Town of Franklinton ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State Statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Franklinton ABC Board, Franklinton Square Shopping Center, Franklinton, NC 27525

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 emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There are no non-major funds for the Town.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental fund:

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.

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

The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, transportation, environmental protection, and cultural and recreation.

The Town reports the following fund types:

Agency fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Franklin County Board of Education.

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 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 for sales and services. 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 tax receivables are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this

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

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year 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 and Fund Equity

1. Deposits and Investments

All deposits of the Town and the ABC Board 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 and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S.159-30(c)] authorizes the Town 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).

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. AT June 30, 2021, there was no restricted cash.

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, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the 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. Inventory

Inventories are not maintained for any fund supplies. In the opinion of management, they are not material to the financial statements taken as a whole.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General Fund infrastructure assets consisting of road networks acquired prior to July 1, 2003 have been recorded as permitted by GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets received prior to June 15, 2015 were recorded at their estimated fair value at the date of donation. Donated assets received after June 15, 2015 are recorded at acquisition costs.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Infrastructure	50
Improvements	25
Equipment and Furniture	10
Vehicles	6
Computer Equipment	3
Computer Software	5

Property, plant and equipment of the Franklinton ABC Board are depreciated over their estimated useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20
Furniture and equipment	10
Vehicles	3-5
Leasehold Improvements	10-20
Computers	3

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

8. Deferred Outflows/Inflows of Resources

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

9. Compensated Absences

Annual leave may accumulate without any applicable maximum until the anniversary date of the employee. After the anniversary date, only one week of vacation pay may be carried to the next anniversary date. For the Town's government-wide 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 accumulation of earned sick leave up to twelve days. Sick leave does not vest. Since the Town does not have any obligation for the accumulated sick leave until it actually taken; no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State Law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year. The governmental fund types classify fund balances as follows:

Restricted:

Restricted by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund

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

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 unexpended Powell Bill funds.

Assigned:

Assigned for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2021 - 2022 budget ordinance.

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

II. Stewardship, Compliance, and Accountability

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

Noncompliance with North Carolina General Statutes

See findings 2021-001 and 2021-002. These findings address failure to appropriate sufficient funds to provide for expenditures for operations and expenditures for debt service.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$760,997 and a bank balance of \$783,318. Of the bank balances, \$296,545 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$500

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

2. Investments

At June 30, 2021, the Town held \$32,598 invested in the North Carolina 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 – Allowance for Bad Debts

An allowance for bad debts of \$10,342 for uncollectible taxes receivable has been recorded in the General Fund.

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 226,594	\$ -	\$ -	\$ 226,594
Total capital assets not being depreciated	226,594	-	-	226,594
Capital assets being depreciated:				
Buildings	1,065,511	-	3,423	1,062,088
Equipment and furniture	727,136	-	280,489	446,647
Vehicles	907,116	30,466	(216,411)	1,153,993
Infrastructure	713,938	-	(69,485)	783,423
Total capital assets being depreciated	3,413,701	30,466	(1,984)	3,446,151
Less accumulated depreciation for:				
Buildings	273,633	33,231	2,869	303,995
Equipment and furniture	387,688	23,697	84,788	326,597
Vehicles	646,616	74,493	(45,063)	766,172
Infrastructure	44,744	32,219	(43,675)	120,638
Total accumulated depreciation	1,352,681	\$ 163,640	\$ (1,081)	1,517,402
Total capital assets being depreciated, net	2,061,020			1,928,749
Governmental activities capital assets, net	<u>\$ 2,287,614</u>			<u>\$ 2,155,343</u>

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

General Government	\$ 21,273
Public Safety	57,274
Streets	83,457
Cultural and recreation	1,636
Total	<u>\$163,640</u>

Discretely Presented Component Unit

Capital asset activity for the ABC Board for the year ended June 30, 2021 was as follows.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and equipment	\$ 71,412	\$ 4,440	\$ -	\$ 75,842
Leasehold improvements	65,951	-	-	65,951
Total capital assets being depreciated	137,363	4,440	-	141,803
Less accumulated depreciation for				
Furniture and equipment	16,157	10,684	-	26,841
Leasehold improvements	13,347	9,422	-	22,769
Total accumulated depreciation	29,504	\$ 20,106	\$ -	49,610
Total assets being depreciated	107,859			92,193
ABC Board capital assets	\$ 107,859			\$ 92,193

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description. The Town of Franklinton 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 Employee's Retirement System is included in the Comprehensive Annual Financial Report (CFAR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

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

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 Franklinton 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 Franklinton's contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% for general employees, 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 Franklinton were \$0 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 \$307,672 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town's proportion was 0.00709%, which was a decrease of 0.00010% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2021, the Town recognized pension expense of \$50,625. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,854	\$ -
Changes of assumptions	22,897	-
Net difference between projected and actual earnings on pension plan investments	43,297	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,200	2,713
Town contributions subsequent to the measurement date	-	-
Total	<u>\$ 129,865</u>	<u>\$ 2,713</u>

\$0 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	\$ 31,005
2023	41,698
2024	24,016
2025	12,814
2026	-
Thereafter	-
Total	<u>\$ 109,533</u>

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

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 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, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 624,233	\$ 307,672	\$ 44,588

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	7
Total	<u>8</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

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

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the general Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$9,923 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$371,105. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$50,719.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,675	\$ 16,675
Changes of assumptions	89,542	5,243
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 128,217	\$ 21,918

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 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	\$ (7,643)
2023	(7,521)
2024	(6,619)
2025	(135)
2026	-
Thereafter	-
Total	\$ (21,918)

\$9,923 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 396,772	\$ 371,105	\$ 347,419

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

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

	2021
Beginning balance	\$ 253,654
Service cost	9,990
Interest on the total pension liability	8,107
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	9,430
Changes of assumptions or other inputs	99,847
Benefit payments	(9,923)
Other changes	-
Ending balance of the total pension liability	\$ 371,105

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 50,625	\$ 50,719	\$ 101,344
Pension Liability	307,672	371,105	678,777
Proportionate share of the net pension liability	0.00682%	N/A	N/A
Deferred of Outflows of Resources			
Differences between expected and actual experience	38,854	38,675	77,529
Changes of assumptions	22,897	89,542	112,439
Net difference between projected and actual earnings on plan investments	43,297	-	43,297
Changes in proportion and differences between contributions and proportionate share of contributions	7,200	-	7,200
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	16,675	16,675
Changes of assumptions	-	5,234	5,234
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,713	-	2,713

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The Town made contributions of \$14,413 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

The Town has elected to provide death benefits to law enforcement 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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2021, the Town made contributions to the State for death benefits of \$997. The Town's required contributions for law enforcement officers represented 0.14% of covered payroll.

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

e. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administrated by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. The Town has elected to contribute each month an amount equal to five percent of each employee's salary and all amounts contributed are vested immediately. Also, the general employees may make voluntary contributions to the Plan. Town contributions for the year ended June 30, 2021 were \$12,070.

2. Deferred Outflows/Inflows of Resources

The balance of deferred inflows of resources at year-end is composed the following element:

Property Taxes (General Fund)	\$ <u>8,065</u>
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3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance to cover these risks of loss. Through commercial insurance, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2 million lifetime limit.

There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance as it is not identified as being located in a flood plain.

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 Town's finance officer (the mayor) is individually bonded for \$100,000, and the Town Clerk is bonded for \$20,000.

4. Claims, Judgments and Contingent Liabilities

There were no claims or judgments against the Town at June 30, 2021.

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

5. Long-Term Obligations

a. Installment purchases

General Fund

On August 7, 2019, the Town entered into an installment purchase to finance street paving and repair. The Property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments beginning in fiscal year 2020 with an interest rate of 2.660%

On August 27, 2019, the Town entered into an installment purchase to finance police cars and street equipment. The property is pledged as collateral for the debt while the debt is outstanding. The finance contract requires principal payments beginning in fiscal year 2020 with an interest rate of 2.50%

Annual debt service payment are as follows:

Year	Principal	Interest	Total
2022	\$ 154,367	\$ 12,793	\$ 167,160
2023	155,047	9,454	164,501
2024	155,735	6,106	161,841
2025	106,432	2,638	109,070
2026	57,137	1,379	58,516
2027	374	664	1,038
	<u>\$ 629,092</u>	<u>\$ 33,034</u>	<u>\$ 662,126</u>

b. Changes in Long-Term Obligations

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Governmental activities:					
Installment purchases	\$ 835,572	\$ -	\$ 206,480	\$ 629,092	\$ 210,184
Net pension liability - LGERS	240,048	67,624	-	307,672	-
Total pension liability - LEO	253,654	117,451	-	371,105	-
Compensated absences	34,901	16,956	-	51,857	51,857
Governmental activity long-term liabilities	<u>1,364,175</u>	<u>202,031</u>	<u>-</u>	<u>1,359,726</u>	<u>262,041</u>

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

C. 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	\$ 998,656
Less:	
Stabilization by State Statue	(222,343)
Remaining Fund Balance	<u>\$ 776,313</u>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. COVID-19 Contingencies

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is still ongoing as of June 30, 2021, and additional impact on operational and financial performance may occur.

VI. Subsequent Events – Date of Management’s Review

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors’ report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

VII. Jointly Governed Organizations

The Town, in conjunction with five counties and fourteen other municipalities established the Kerr-Tar Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints thirty-two members to the Council’s governing board.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of Local Government Commission in North Carolina.

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 Total Pension Liability for Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

Town of Franklinton
Town of Franklinton's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*
Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Franklinton's proportion of the net pension liability (asset) (%)	0.00879%	0.00879%	0.00888%	0.00883%	0.0990%	0.01142%	0.01247%	0.01140%
Franklinton's proportion of the net pension liability (asset) (\$)	\$ 307,672	\$ 240,048	\$ 210,664	\$ 134,898	\$ 210,111	\$ 51,252	\$ (73,341)	\$ 49,373
Franklinton's covered payroll	\$ 711,817	\$ 676,953	\$ 637,009	\$ 592,991	\$ 594,122	\$ 620,686	\$ 689,616	\$ 657,115
Franklinton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.22%	35.46%	33.07%	22.71%	33.85%	7.43%	(11.19%)	7.27%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	90.86%	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Notes to schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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	7.00%
2020	7.00%
2019	7.00%
2018	7.20%
2017	7.25%
2016	7.25%
2015	7.25%
2014	7.25%

Town of Franklinton
Town of Franklinton's Contributions
Required Supplementary Information
Last Eight Fiscal Years
Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 74,247	\$ 89,082	\$ 72,671	\$ 60,527	\$ 59,842	\$ 55,392	\$ 57,802	\$ 55,585
Contributions in relation to the contractually required contribution	74,247	89,082	72,671	60,527	59,842	55,392	57,802	55,585
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Franklinton's covered payroll	\$ 711,817	\$ 970,111	\$ 908,407	\$ 783,565	\$ 798,855	\$ 810,291	\$ 803,165	\$ 777,738
Contributions as a percentage of covered payroll	10.43%	9.18%	8.00%	7.72%	7.49%	6.84%	7.20%	7.15%

Notes to schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Franklinton
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 253,654	\$ 240,477	\$ 263,352	\$ 144,573	\$ 134,577
Service cost	9,990	8,522	9,870	9,462	8,857
Interest on the total pension liability	8,107	8,574	8,322	5,581	4,804
Changes on benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	9,430	(1,020)	(32,401)	88,097	-
Changes of assumptions or other inputs	99,847	6,949	(8,666)	15,639	(3,665)
Benefit payments	(9,923)	(9,848)	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 371,105</u>	<u>\$ 253,654</u>	<u>\$ 240,477</u>	<u>\$ 263,352</u>	<u>\$ 144,573</u>

Notes to schedule:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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:

Fiscal Year	Rate
2021	1.93%
2020	3.26%
2019	3.64%
2018	3.16%
2017	3.86%
2016	3.57%

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

	2021	2020	2019	2018	2017
Total pension liability	\$ 371,105	\$ 253,654	\$ 240,477	\$ 263,352	\$ 144,573
Covered payroll	346,567	350,615	380,279	396,280	346,399
Total pension liability as a percentage of covered payroll	107.08%	72.35%	63.24%	66.46%	41.74%

Notes to schedule:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Franklinton
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:	\$ 1,142,400	\$ 1,101,536	\$ (40,864)
Other taxes and licenses:			
Local option sales tax	340,000	471,072	131,072
Hold harmless tax	3,000	-	(3,000)
Total other taxes and licenses	343,000	471,072	128,072
Unrestricted intergovernmental:			
Utility franchise tax	115,000	117,987	2,987
Beer and wine tax	11,500	9,084	(2,416)
Total unrestricted intergovernmental	126,500	127,071	571
Restricted intergovernmental:			
Federal and State grants	-	191,674	191,674
Solid waste disposal tax	1,450	1,224	(226)
ABC distributions	122,000	168,549	46,549
ABC Law Enforcement	2,500	6,579	4,079
SRO revenue	60,000	55,000	(5,000)
Powell Bill allocation	59,000	62,292	3,292
Total restricted intergovernmental	244,950	485,318	240,368
Permits and fees:			
Zoning permits	21,800	12,020	(9,780)
Parking fees	4,000	5,399	1,399
Code fees	1,600	5,208	3,608
Other fees	11,830	1,748	(10,082)
Total permits and fees	39,230	24,375	(14,855)
Sales and services:			
Rents and concessions	26,800	19,800	(7,000)
Grabage fees	192,000	220,586	28,586
Property sales	30,000	195,672	165,672
Cemetery fees	5,000	7,850	2,850
Total sales and services	253,800	443,908	190,108
Investment earnings	1,000	887	(113)
Miscellaneous revenue	33,200	32,181	(1,019)
Total revenues	2,184,080	2,686,348	502,268
Expenditures:			
General Government:			
Governing Body			
Salaries and benefits		17,289	
Other operating expenditures		34,533	
Total governing body	56,050	51,822	4,228
Administration:			
Salaries and benefits		470,516	
Professional fees		86,046	
Other operating expenditures		202,795	
Total administration	518,700	759,357	(240,657)
Total general government	574,750	811,179	(236,429)

Town of Franklinton
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021	
	Final Budget	Variance Over/Under
Public Safety:		
Police:		
Salaries and benefits	415,356	
Other operating expenditures	117,581	
Total public safety	<u>656,430</u>	<u>123,493</u>
Streets:		
Powell Bill:		
Debt service	102,607	
Non-Powell Bill:		
Salaries and benefits	224,661	
Capital outlay	30,446	
Other operating expenditures	302,651	
Total streets	<u>590,107</u>	<u>(70,258)</u>

Town of Franklinton
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Environmental Protection:			
Other operating expenditures		6,879	
Contracted services		180,565	
Total environmental protection	<u>215,500</u>	<u>187,444</u>	<u>28,056</u>
Cultural and recreational:			
Recreation			
Salaries and benefits		17,007	
Other operating expenditures		4,163	
Capital outlay		2,002	
Pocket Park			
Operating expenditures		11,991	
Total cultural and recreational	<u>35,900</u>	<u>35,163</u>	<u>737</u>
Debt Service:			
Debt service	<u>111,393</u>	<u>125,729</u>	<u>(14,336)</u>
Total expenditures	<u>2,184,080</u>	<u>2,352,817</u>	<u>(168,737)</u>
Revenues over (under) expenditures	<u>-</u>	<u>333,531</u>	<u>333,531</u>
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>333,531</u>	<u>\$ 333,531</u>
 Fund balances, beginning		<u>665,125</u>	
Fund balances, ending		<u>\$ 998,656</u>	

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Town of Franklinton
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	\$ -	\$ 1,117,448	\$ 1,112,148	\$ 5,300
2019-2020	31,475	-	28,500	2,975
2018-2019	12,075	-	11,680	395
2017-2018	7,027	-	6,000	1,027
2016-2017	3,183	-	3,000	183
2015-2016	2,527	-	2,000	527
2014-2015	2,023	-	1,000	1,023
2013-2014	3,226	-	1,500	1,726
2012-2013	3,740	-	1,500	2,240
2011-2012	2,328	-	1,100	1,228
2010-2011	1,783	-	-	1,783
	<u>\$ 69,387</u>	<u>\$ 1,117,448</u>	<u>\$ 1,168,428</u>	<u>\$ 18,407</u>
Less: allowance for uncollectible accounts - taxes				<u>(10,342)</u>
Ad valorem taxes receivable-net				<u><u>\$ 8,065</u></u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes-General Fund				\$ 1,101,536
Taxes written off, statute of limitations				581
Corrections to accounting records				<u>66,311</u>
Total collections and credits				<u><u>\$ 1,168,428</u></u>

Town of Franklinton
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

				Total Levy	
	Town - Wide			Property excluding Registered	Registered
	Property Valuation	Rate	Total Levy	Motor Vehicles	Motor Vehicles
Original levy	\$143,303,349	\$ 0.72	\$ 1,117,448	\$ 1,025,863	\$ 91,585
Discoveries	-	0.72	-	-	-
Abatements	-	0.72	-	-	-
Total Property Valuation	<u>\$143,303,349</u>				
Net levy			1,117,448	1,025,863	91,585
Uncollected taxes at June 30, 2021			(5,300)	(5,300)	-
Current year's taxes collected			<u>\$ 1,112,148</u>	<u>\$ 1,020,563</u>	<u>\$ 91,585</u>
Current levy collection percentage			<u>99.53%</u>	<u>99.48%</u>	<u>100.00%</u>
Prior Year's Collection Percentage			<u>99.65%</u>	<u>99.61%</u>	<u>100.00%</u>

COMPLIANCE SECTION

PM&P

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Franklinton, 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 Franklinton's basic financial statements, and have issued our report thereon dated December 20, 2021. The financial statements of the Franklinton ABC Board were not audited in accordance with *Government Auditing Standard*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2021-001, 2021-002 and 2021-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Franklinton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters, described in the accompanying schedule of findings and responses as 2021-001, 2021-002 and 2021-003, that are required to be reported under *Government Auditing Standards*.

Town of Franklinton's Response to Findings

The Town of Franklinton's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on them

Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

December 20, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Noncompliance material to financial statements noted yes X no

Town of Franklinton
Schedule of Findings and Responses
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Signicant Deficiency:

2021-001

Criteria: The Town is required to appropriate enough debt services funds to pay pincipal and interest on its debt annually.

Condition: Debt service payments for principal and interest exceeded Council appropriations for debt service.

Effect: The Town was in violation of State Statues.

Cause: The budget was not amended as needed to ensure funds were available to fund debt service.

Recommendation: The Town should review and amend its budget periodically to ensure funds are available for debt service expenditures.

Signicant Deficiency:

2021-002

Criteria: The Town is required to appropriate funds prior to payment of expenditures.

Condition: Expenditures as noted on the General Budget Schedule exceeded appropriations in several departments.

Effect: The Town was in violation of State Statues.

Cause: The budget was not amended as needed to ensure funds were available to fund operations.

Recommendation: The Town should review and amend its budget periodically to ensure funds are available to fund expenditures.

Town of Franklinton
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Significant Deficiency:

2021-003

Criteria: The Town is required to maintain complete and accurate accounting records.

Condition: The Town's accounting records were not properly maintained for several areas.

Property tax receivables and collections are not reconciled to Franklin County's records periodically. Neither the Town's receivables nor tax revenues are accounted for by levy year and as a result significant reconciliation issues exist.

Garbage receivables do not reconcile to the customer receivable ledgers. Account balances appear to have been written off, however; there is not a document trail that reflects those adjustments.

Fixed asset records are not current and reflect many assets that may have been disposed of, scrapped, or lost. The records are old and need to be adjusted based on a physical inventory.

The Town does not maintain current accounting policies that document for staff policies related to write off of accounts receivable, fixed asset record maintenance procedures; procedures for debt collection of old balances owed to the Town and other general operating procedures.

Effect: The Town does not provide clear and concise guidance through written policies.

Cause: Informal approaches to accounting management.

Recommendation: The Town should develop written policies for all material accounting areas with the Council adopting the policies and requiring periodic reports on material areas to the Council.

**Town of Franklinton
Corrective Action Plan
For the Year Ended June 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

Finding 2021-001

Contact: Greg Bethea, Town Manager

Corrective Action: The Town will periodically review and amend its budget and ensure debt service is properly funded.

Completion Date: December 31, 2022

Finding 2021-002

Contact: Greg Bethea, Town Manager

Corrective Action: The Town will periodically review and amend its budget and ensure all expenditures are properly funded.

Completion Date: December 31, 2022

Finding 2021-003

Contact: Greg Bethea, Town Manager

Corrective Action: The Town develop policies and procedures for all material accounts and obtain Council approval for those policies.
The Town will also develop reconciliation procedures and apply those procedures to improve accounting records.

Completion Date: December 31, 2022

Town of Franklinton
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2021

Finding 2020-001

This finding dealt with lack of segregation of duties among staff members and lack of oversight control. This finding was resolved by contracting with a CPA with significant governmental experience to improve internal controls.