

REVIEWED

By SLGFD at 7:13 am, May 09, 2022

TOWN OF NORWOOD
Norwood, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2021

Town Council Members

**Linda Campbell, Mayor
James Lilly, Mayor Pro-Tem
Robbie Cohen
Wes Hartsell
Keith Morgan**

Administrative and Financial Staff

**Scott Howard, Administrator
Sarah Richards, Finance Officer
Valarie Greene, Town Clerk**

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 of material misstatement.

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

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

Opinion

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

Emphasis of Matter

As discussed in Note VII to the financial statements, beginning net position was restated in the Proprietary fund due to a prior period adjustment. Our opinion is not modified with respect to these changes.

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 3 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 48 and 49, respectively, 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 50 and 51, respectively, and Schedule of Changes in the Total OPEB Liability and Related Ratios on page 52, be presented to supplement the basic financial statements. Such information, although not a required 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 and the other auditors 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 basic financial statements of the Town of Norwood, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2022 on our consideration of Town of Norwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Town of Norwood's internal control over financial reporting and compliance.



April 27, 2022
Rockingham, North Carolina

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

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

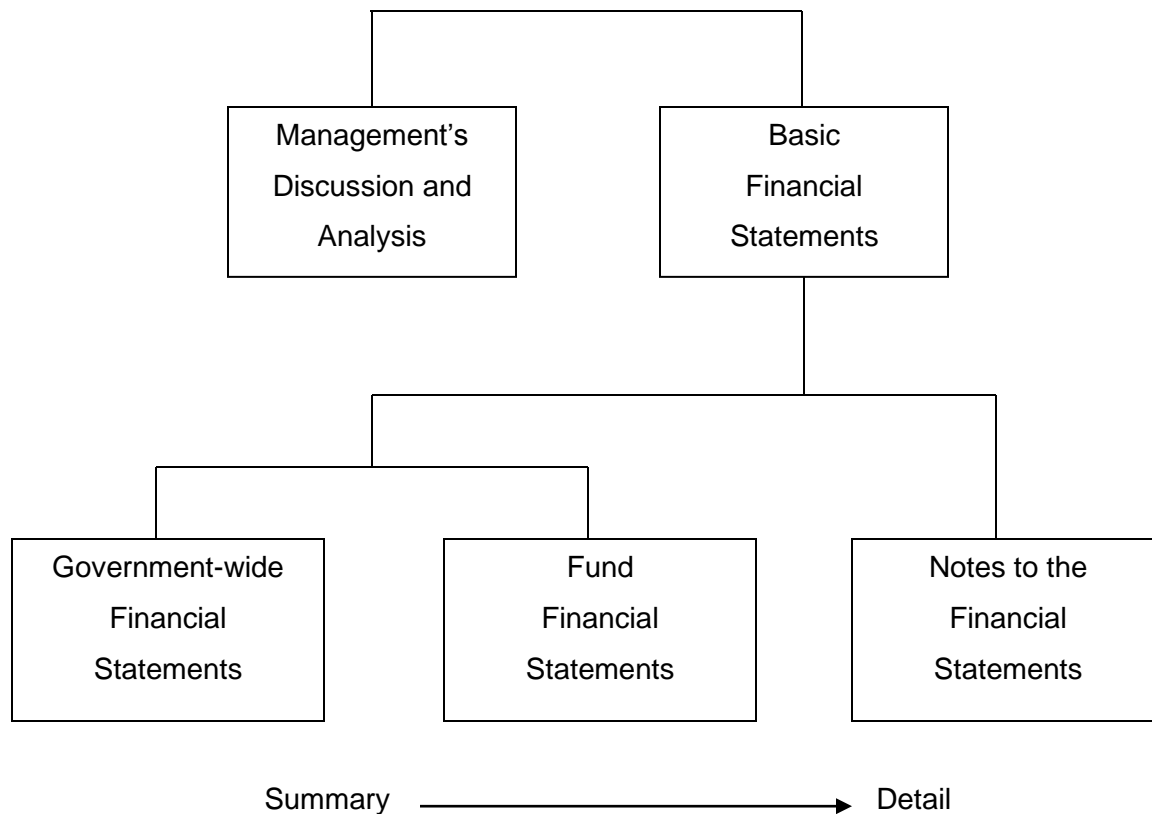
- The assets and deferred outflows of resources of the Town of Norwood exceeded its liabilities and deferred inflows of resources at the close of the year by \$14,376,094 (net position).
- The government's total net position increased by \$561,116.
- As of the close of the current fiscal year, the Town of Norwood's governmental funds reported ending fund balance of \$2,186,161, an increase of \$464,225 in comparison to the prior year. Approximately 52.5 percent of this total amount is available for spending at the government's discretion (unassigned fund balance).
- As the end of the current fiscal year, unassigned Fund Balance was \$1,148,115 or 46.9 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statement; 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 North Carolina General Statutes also can be found in this section of the statements.

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

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 the financial statement of 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 on the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes finance most of these activities. The Town occasionally receives State and Federal grant funds. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Norwood.

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

Fund Financial Statements

The fund financial statements 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 Norwood, 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 Norwood can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how the assets can readily be converted into cash flow in and out, what monies are left at year-end that will be available for spending next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that 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 on in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliation that is a part of the financial statements.

The Town of Norwood 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 Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Norwood has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Norwood uses one enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The Water and Sewer fund consists of three subfunds that are consolidated for financial reporting purposes. They are Water and Sewer operations, Wastewater Treatment Improvement project fund and Sanitary Sewer Improvement project fund.

Notes to the Financial Statements –The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 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 Norwood's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 48 of this report.

Government-Wide Financial Analysis - Following is a condensed statement of net position as of June 30, 2021 and 2020.

Figure 2

	Condensed Statement of Net Position					
	Governmental		Business-type		Total Primary	
	Activities		Activities		Governmental	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 2,324,224	\$ 1,926,749	\$ 761,976	\$ 622,153	\$ 3,086,200	\$ 2,548,902
Capital assets	2,907,456	2,849,561	11,424,006	11,270,936	14,331,462	14,120,497
Other non-current assets	-	-	175,000	-	175,000	-
Deferred outflows of resources	316,639	191,436	31,743	26,225	348,382	217,661
Total assets and deferred outflows of resources	<u>5,548,319</u>	<u>4,967,746</u>	<u>12,392,725</u>	<u>11,919,314</u>	<u>17,941,044</u>	<u>16,887,060</u>
Long-term liabilities	1,085,482	946,453	1,564,674	1,711,458	2,650,156	2,657,911
Other liabilities	205,978	258,785	594,761	367,994	800,739	626,779
Deferred inflows of resources	102,037	101,538	12,018	10,854	114,055	112,392
Total liabilities and deferred inflows of resources	<u>1,393,497</u>	<u>1,306,776</u>	<u>2,171,453</u>	<u>2,090,306</u>	<u>3,564,950</u>	<u>3,397,082</u>
Net position:						
Net investment in capital assets	2,578,831	2,462,827	9,781,096	9,461,871	12,359,927	11,924,698
Restricted	592,982	766,610	-	-	592,982	766,610
Unrestricted	983,009	431,533	440,176	367,137	1,423,185	798,670
Total net position	<u>\$ 4,154,822</u>	<u>\$ 3,660,970</u>	<u>\$ 10,221,272</u>	<u>\$ 9,829,008</u>	<u>\$ 14,376,094</u>	<u>\$ 13,489,978</u>

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

As noted earlier, net position may serve over time as one of the useful indicators of a government's financial condition. The assets and deferred outflows of the Town of Norwood exceeded liabilities and deferred inflows by \$14,376,094 as of June 30, 2021. The Town's net position increased by \$561,116 for the fiscal year ended June 30, 2021. The largest portion (86.0%) of the Town's net position 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 Norwood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Norwood's 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 Norwood's net position, \$592,982, is restricted. Of this amount, \$212,417 represents transportation resources and special revenue resources that are subject to external restrictions on how they may be used. \$380,565 is restricted for stabilization by State Statute. The remaining balance of \$1,423,185 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.42% over the prior year collection rate of 97.78%.
- Continued efforts to keep debt below debt threshold.
- Increased water and sewer rates to ensure the Enterprise Fund budget is self-supporting.

The following table shows the revenues and expenses for the Town for the current and prior fiscal years.

Figure 3
Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 164,265	\$ 171,735	\$ 1,896,504	\$ 1,680,581	\$ 2,060,769	\$ 1,852,316
Operating grants and contributions	169,351	77,485	-	-	169,351	77,485
Capital grants and contributions	141,853	1,056,327	-	-	141,853	1,056,327
General revenues						
Property taxes	1,261,151	1,167,148	-	-	1,261,151	1,167,148
Other taxes	895,439	799,781	-	-	895,439	799,781
Grants and contributions not restricted to specific programs	47,941	15,030	-	-	47,941	15,030
Other	128,573	24,794	692	5,608	129,265	30,402
Total revenues	2,808,573	3,312,300	1,897,196	1,686,189	4,705,769	4,998,489
Expenses						
General government	633,153	682,326	-	-	633,153	682,326
Public safety	855,638	796,242	-	-	855,638	796,242
Transportation	344,456	418,316	-	-	344,456	418,316
Environmental protection	347,450	354,268	-	-	347,450	354,268
Cultural and recreational	149,500	139,344	-	-	149,500	139,344
Cemetery	32,583	37,877	-	-	32,583	37,877
Garage	-	8,605	-	-	-	8,605
Interest on long-term debt	13,146	9,846	-	-	13,146	9,846
Water and sewer	-	-	1,768,727	1,709,601	1,768,727	1,709,601
Total expenses	2,375,926	2,446,824	1,768,727	1,709,601	4,144,653	4,156,425
Transfers	61,205	-	(61,205)	-	-	-
Increase (decrease) to net position	493,852	865,476	67,264	(23,412)	561,116	842,064
Net position-beginning, as previously reported	3,660,970	2,795,494	9,829,008	9,852,420	13,489,978	12,647,914
Prior period adjustment (Note VII)	-	-	325,000	-	325,000	-
Net position-beginning, restated	3,660,970	2,795,494	10,154,008	9,852,420	13,814,978	12,647,914
Net position-ending	\$ 4,154,822	\$ 3,660,970	\$ 10,221,272	\$ 9,829,008	\$ 14,376,094	\$ 13,489,978

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Governmental activities. Governmental activities increased the Town's net position by \$493,852, which was primarily attributable to reimbursements for the purchase of land easements from Union County. The Town's property taxes collections also increased and the Town controlled costs, contributing to the increase in net position. Management is working to attract businesses and revitalize the downtown area of the Town of Norwood, and believes that continued investment in the Town will result in increased revenue in future years.

Business-type activities. Business type activities increased the Town of Norwood's net position by \$67,264. The Town is increasingly spending more money to maintain its aging water and sewer infrastructure, and is currently working to find the sources of funding that will be needed to upgrade the Town's water and sewer infrastructure. The Town increased water and sewer rates approximately 15 percent at the beginning of the year and this was instrumental in the fund's increase for the year. The Town also improved their unmetered water during the year and improved collection rates.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Norwood. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,148,115 and the total fund balance was \$2,186,161. Revenues exceeded expenditures and other financing sources by \$464,225 for the year ended June 30, 2021. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.9 percent of total General Fund expenditures and total fund balance represents 89.3 percent of total General Fund expenditures for the year ended June 30, 2021. The increase in fund balance was a result of the same factors discussed under Governmental Activities.

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

There were several reasons the Town revised its budget throughout the year. The Town amended the budget in the General Fund several times to reallocate resources to maintain service levels and for capital asset acquisitions and to budget debt service expenditures.

Proprietary Funds. The Town of Norwood's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$440,176. The Water and Sewer Fund's net investment in capital assets was \$9,781,096. The total increase in net position was \$67,264. Other factors concerning the finances of this fund have already been discussed in the discussion of the Town of Norwood's business-type activities.

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Capital Asset and Debt Administration

Capital Assets. The Town of Norwood's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$14,331,462 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

The following is a summary of the capital assets, net of depreciation, at June 30, 2021 and 2020.

Figure 4
Summary of Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,446,659	\$ 1,304,806	\$ 552,989	\$ 552,989	\$ 1,999,648	\$ 1,857,795
Buildings, Plant and Distribution Systems	673,052	662,836	9,627,540	9,804,508	10,300,592	10,467,344
Equipment	171,688	201,167	252,829	289,232	424,517	490,399
Other Improvements	375,238	405,748	-	-	375,238	405,748
Vehicles and Motorized Equipment	240,819	275,004	74,701	102,363	315,520	377,367
Construction in Progress	-	-	915,947	521,844	915,947	521,844
Total	<u>\$ 2,907,456</u>	<u>\$ 2,849,561</u>	<u>\$ 11,424,006</u>	<u>\$ 11,270,936</u>	<u>\$ 14,331,462</u>	<u>\$ 14,120,497</u>

The Town entered into the Interlocal Intake and Transmission Agreement with Union County in fiscal year 2013. The terms of this agreement provide that Union County will finance the construction of a joint raw water intake facility in exchange for access to raw water from Lake Tillery. Additional information on the Town of Norwood's capital assets can be found in the notes to the financial statements.

During 2021, Union County reimbursed the Town for land easements purchased with a value of \$141,853. Additionally, the Town acquired assets with a cost of \$117,793.

Long-term Debt. As of June 30, the Town of Norwood had no outstanding bonded debt. The following table shows the outstanding debt of Town of Norwood as of June 30, 2021 and 2020:

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchases	\$ 211,032	\$ 277,951	\$ 1,619,633	\$ 1,781,307	\$ 1,830,665	\$ 2,059,258
Capital leases	117,593	108,783	23,277	27,758	140,870	136,541
Compensated absences	30,879	30,926	6,406	5,244	37,285	36,170
OPEB liability	285,124	217,435	38,881	24,159	324,005	241,594
Net pension liability (LGRS)	339,933	263,277	46,354	42,859	386,287	306,136
Total pension liability (LEO)	<u>209,715</u>	<u>153,629</u>	<u>-</u>	<u>-</u>	<u>209,715</u>	<u>153,629</u>
Totals	<u>\$1,194,276</u>	<u>\$1,052,001</u>	<u>\$ 1,734,551</u>	<u>\$ 1,881,327</u>	<u>\$ 2,928,827</u>	<u>\$ 2,933,328</u>

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Outstanding debt activity is as follows:

- Existing installment purchase agreement in governmental activities for various police and sanitation vehicles and equipment.
- Existing installment purchase agreements in business type activities for water and sewer lines.
- New capital lease agreement in governmental and business-type activities for the purchase of one new vehicle.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Norwood is \$25,562,657. The Town has no bonds authorized or issued at June 30, 2021.

Economic Factors and Next Year's Budgets and Rates

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

- Norwood is still seeing an increase in residential building permits being issued. The areas most affected are the Edgewater and Eagle Pointe subdivisions, as well as the area served by the new sewer line. The Town expects substantial increases in residential development going forward.
- Norwood is still struggling with a lack of retail shops downtown and is working to attract businesses to revitalize the downtown area of Norwood. The Town has a revitalization plan and expectations are that improvements will be made in this area.
- **Impact of Coronavirus on Town** - On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.
- As a result of the coronavirus pandemic, the Town has been awarded \$390,245 of grant funding allocations through the American Rescue Plan Act of 2021, Coronavirus State and Local Recovery Fund. These funds must be obligated by December 31, 2024 and fully expended by December 31, 2026. The Town is currently collaborating on a plan to utilize the funds.

TOWN OF NORWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The Town has appropriated \$445,064 of fund balance. The budget for the General fund has a 1.5 percent increase from the prior year.

Business-type Activities: The Town's budget for the Enterprise fund increases by 0.3% over prior year.

Request 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:

Finance Officer
Town of Norwood
P.O. Box 697
Norwood, NC 28128
Phone: 704-474-3416; Fax 704-474-3201
Email: townofnorwood@norwoodgov.com

BASIC FINANCIAL STATEMENTS

TOWN OF NORWOOD
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,690,652	\$ 262,246	\$ 1,952,898
Taxes receivable (net)	40,590	-	40,590
Inventory	-	173,392	173,392
Accounts receivable (net)	12,035	212,688	224,723
Due from Union County-current	-	75,000	75,000
Due from other governments	368,530	-	368,530
Restricted cash and cash equivalents	212,417	38,650	251,067
Total current assets	2,324,224	761,976	3,086,200
Non-current assets:			
Due from Union County-noncurrent	-	175,000	175,000
Capital assets			
Land and construction in progress	1,446,659	1,468,936	2,915,595
Other capital assets, net of depreciation	1,460,797	9,955,070	11,415,867
Total capital assets	2,907,456	11,424,006	14,331,462
Total non-current assets	2,907,456	11,599,006	14,506,462
Total assets	5,231,680	12,360,982	17,592,662
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals-LGERS	193,814	26,429	220,243
Pension deferrals-LEO	83,855	-	83,855
OPEB deferrals	38,970	5,314	44,284
Total deferred outflows of resources	316,639	31,743	348,382
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	97,184	332,907	430,091
Unearned revenue	-	53,327	53,327
Customer deposits	-	38,650	38,650
Compensated absences	15,440	3,203	18,643
Current portion of capital leases	24,873	4,164	29,037
Current portion of installment purchases	68,481	162,510	230,991
Total current liabilities	205,978	594,761	800,739
Long-term liabilities:			
Net pension liability (LGERS)	339,933	46,354	386,287
Total pension liability (LEO)	209,715	-	209,715
Total OPEB liability	285,124	38,881	324,005
Compensated absences	15,439	3,203	18,642
Long-term portion of capital leases	92,720	19,113	111,833
Long-term portion of installment purchases	142,551	1,457,123	1,599,674
Total long-term liabilities	1,085,482	1,564,674	2,650,156
Total liabilities	1,291,460	2,159,435	3,450,895
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	289	-	289
Pension deferrals-LGERS	11,416	1,557	12,973
Pension deferrals-LEO	13,617	-	13,617
OPEB deferrals	76,715	10,461	87,176
Total deferred inflows of resources	102,037	12,018	114,055
NET POSITION			
Net investment in capital assets	2,578,831	9,781,096	12,359,927
Restricted for:			
Stabilization by State statute	380,565	-	380,565
Streets	212,417	-	212,417
Unrestricted	983,009	440,176	1,423,185
Total net position	\$ 4,154,822	\$ 10,221,272	\$ 14,376,094

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

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TOWN OF NORWOOD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 633,153	\$ 3,700	\$ 49,313	\$ 141,853	\$ (438,287)	\$ -	\$ (438,287)	
Public safety	855,638	2,390	41,015	-	(812,233)	-	(812,233)	
Transportation	344,456	-	71,038	-	(273,418)	-	(273,418)	
Environmental protection	347,450	146,022	-	-	(201,428)	-	(201,428)	
Cultural and recreation	149,500	12,153	7,985	-	(129,362)	-	(129,362)	
Cemetery	32,583	-	-	-	(32,583)	-	(32,583)	
Interest on long-term debt	13,146	-	-	-	(13,146)	-	(13,146)	
Total governmental activities	<u>2,375,926</u>	<u>164,265</u>	<u>169,351</u>	<u>141,853</u>	<u>(1,900,457)</u>	<u>-</u>	<u>(1,900,457)</u>	
Business-type activities:								
Water and sewer	<u>1,768,727</u>	<u>1,896,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,777</u>	<u>127,777</u>	
Total primary government	<u>\$ 4,144,653</u>	<u>\$ 2,060,769</u>	<u>\$ 169,351</u>	<u>\$ 141,853</u>	<u>(1,900,457)</u>	<u>127,777</u>	<u>(1,772,680)</u>	
General revenues and transfers:								
Taxes:								
Local option sales taxes					709,140		709,140	
Property taxes, levied for general purpose					1,261,151	-	1,261,151	
Other taxes					186,299	-	186,299	
Grants and contributions not restricted to specific programs					47,941	-	47,941	
Unrestricted investment earnings					1,060	692	1,752	
Miscellaneous					127,513	-	127,513	
Transfers					61,205	(61,205)	-	
Total general revenues					<u>2,394,309</u>	<u>(60,513)</u>	<u>2,333,796</u>	
Change in net position					493,852	67,264	561,116	
Net position, beginning, as previously reported					3,660,970	9,829,008	13,489,978	
Prior period adjustment (Note VII)					<u>-</u>	<u>325,000</u>	<u>325,000</u>	
Net position, beginning, restated					<u>3,660,970</u>	<u>10,154,008</u>	<u>13,814,978</u>	
Net position, ending					<u>\$ 4,154,822</u>	<u>\$ 10,221,272</u>	<u>\$ 14,376,094</u>	

TOWN OF NORWOOD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 3

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,690,652	\$ 1,690,652
Restricted cash and cash equivalents	212,417	212,417
Receivables, net:		
Taxes	40,590	40,590
Accounts receivable, net	12,035	12,035
Due from other governments	368,530	368,530
Total assets	<u>\$ 2,324,224</u>	<u>\$ 2,324,224</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 97,184	\$ 97,184
Total liabilities	<u>97,184</u>	<u>97,184</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	40,590	40,590
Prepaid taxes	289	289
Total deferred inflows of resources	<u>40,879</u>	<u>40,879</u>
FUND BALANCES		
Restricted		
Stabilization by State statute	380,565	380,565
Streets	212,417	212,417
Assigned		
Subsequent year's expenditures	445,064	445,064
Unassigned	1,148,115	1,148,115
Total fund balances	<u>2,186,161</u>	<u>2,186,161</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,324,224</u>	<u>\$ 2,324,224</u>
Total fund balances		\$ 2,186,161
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,907,456
Deferred outflows related to pensions are not reported in the funds - LGERS & LEO		277,669
Deferred outflows of resources related to OPEB are not reported in the funds		38,970
Earned revenues considered deferred inflows of resources in fund statements		40,590
Compensated absences not expected to be materially liquidated with expendable available resources		(30,879)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension liability-LGERS		(339,933)
Total pension liability-LEO		(209,715)
Total OPEB liability		(285,124)
Capital lease obligations		(117,593)
Installment purchase obligations		(211,032)
Deferred inflows of resources related to pensions are not reported in the funds - LGERS & LEO		(25,033)
Deferred inflows of resources related to OPEB are not reported in the fund		<u>(76,715)</u>
Net position of governmental activities		<u>\$ 4,154,822</u>

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

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TOWN OF NORWOOD**Exhibit 4****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****For the Year Ended June 30, 2021**

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 1,272,137	\$ 1,272,137
Unrestricted intergovernmental	941,568	941,568
Restricted intergovernmental	171,163	171,163
Permits and fees	145,553	145,553
Sales and services	160,565	160,565
Investment earnings	1,060	1,060
Miscellaneous	70,916	70,916
Total revenues	<u>2,762,962</u>	<u>2,762,962</u>
EXPENDITURES		
Current:		
General government	742,446	742,446
Police department	782,616	782,616
Transportation	329,625	329,625
Sanitation	322,815	322,815
Cultural and recreation	135,199	135,199
Cemetery	32,583	32,583
Debt Service:		
Principal retirement	89,437	89,437
Interest and other charges	13,146	13,146
Total expenditures	<u>2,447,867</u>	<u>2,447,867</u>
Revenues over expenditures	315,095	315,095
OTHER FINANCING SOURCES (USES)		
Insurance proceeds	56,597	56,597
Issuance of capital lease	31,328	31,328
Transfer to Sewer project fund	(23,527)	(23,527)
Transfer from Water/Sewer fund	84,732	84,732
Total other financing sources (uses)	<u>149,130</u>	<u>149,130</u>
Net change in fund balance	464,225	464,225
Fund balances, beginning	<u>1,721,936</u>	<u>1,721,936</u>
Fund balances, ending	<u>\$ 2,186,161</u>	<u>\$ 2,186,161</u>

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

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TOWN OF NORWOOD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2021

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 464,225
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	(201,751)
Capital outlay	259,646

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	69,813
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Benefit payments paid and administrative expense for the Law Enforcement Officers' Special Separation Allowance are not included on the Statement of Activities	13,499
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(10,986)
--	----------

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	47
Pension expense-LGERS	(109,108)
Pension expense-LEO	(23,006)
OPEB plan expense	(26,636)

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. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Capital lease proceeds	(31,328)
Principal payments on long-term debt	<u>89,437</u> <u>58,109</u>

Total changes in net position of governmental activities	<u>\$ 493,852</u>
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TOWN OF NORWOOD**Exhibit 6**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021**

	General Fund			Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Ad valorem taxes	\$ 1,223,800	\$ 1,357,800	\$ 1,272,137	\$ (85,663)
Unrestricted intergovernmental	696,600	848,200	941,568	93,368
Restricted intergovernmental	86,500	113,700	171,163	57,463
Permits and fees	-	4,120	145,553	141,433
Sales and services	149,000	191,000	160,565	(30,435)
Investment earnings	6,100	1,090	1,060	(30)
Miscellaneous	108,610	20,320	70,916	50,596
Total revenues	<u>2,270,610</u>	<u>2,536,230</u>	<u>2,762,962</u>	<u>226,732</u>
Expenditures:				
Current:				
General government	600,350	699,050	742,446	(43,396)
Police department	801,600	1,098,000	782,616	315,384
Transportation	480,100	500,400	329,625	170,775
Sanitation	494,900	397,850	322,815	75,035
Cultural and recreation	95,150	97,700	135,199	(37,499)
Cemetery	47,950	54,450	32,583	21,867
Debt service:				
Principal retirement	-	68,500	89,437	(20,937)
Interest and other charges	-	6,450	13,146	(6,696)
Total expenditures	<u>2,520,050</u>	<u>2,922,400</u>	<u>2,447,867</u>	<u>474,533</u>
Revenues over (under) expenditures	(249,440)	(386,170)	315,095	701,265
Other financing sources (uses):				
Insurance proceeds	-	-	56,597	56,597
Issuance of capital lease	-	-	31,328	31,328
Transfer to Sewer project fund	-	-	(23,527)	(23,527)
Transfer from Water/Sewer fund	-	-	84,732	84,732
Appropriated fund balance	249,440	386,170	-	(386,170)
Total other financing sources (uses)	<u>249,440</u>	<u>386,170</u>	<u>149,130</u>	<u>(237,040)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	464,225	<u>\$ 464,225</u>
Fund balance, beginning			1,721,936	
Fund balance, ending			<u>\$ 2,186,161</u>	

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

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TOWN OF NORWOOD
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
June 30, 2021

Exhibit 7

	Major Fund
	Water/Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 262,246
Restricted cash and cash equivalents	38,650
Inventory	173,392
Accounts receivables (net)	212,688
Due from Union County-current	75,000
Total current assets	<u>761,976</u>
Noncurrent assets:	
Due from Union County-noncurrent	175,000
Capital assets:	
Land and construction in progress	1,468,936
Other capital assets, net of depreciation	9,955,070
Total capital assets	<u>11,424,006</u>
Total non-current assets	<u>11,599,006</u>
Total assets	<u>12,360,982</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals-LGERS	26,429
OPEB deferrals	5,314
Total deferred outflows of resources	<u>31,743</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	330,414
Accrued salaries and wages	2,493
Customer deposits	38,650
Unearned revenue	53,327
Compensated absences - current	3,203
Capital leases - current	4,164
Installment purchases - current	162,510
Total current liabilities	<u>594,761</u>
Noncurrent liabilities:	
Net pension liability	46,354
Total OPEB liability	38,881
Compensated absences	3,203
Capital leases - noncurrent	19,113
Installment purchases - noncurrent	1,457,123
Total noncurrent liabilities	<u>1,564,674</u>
Total liabilities	<u>2,159,435</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals-LGERS	1,557
OPEB deferrals	10,461
Total deferred inflows of resources	<u>12,018</u>
NET POSITION	
Net investment in capital assets	9,781,096
Unrestricted	440,176
Total net position	<u>\$ 10,221,272</u>

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

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TOWN OF NORWOOD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 8

	Major Fund Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 1,713,605
Water and sewer taps	43,575
Reconnection and availability fees	95,227
Sales tax refund	44,097
Total operating revenues	<u>1,896,504</u>
OPERATING EXPENSES	
Water treatment and distribution	419,015
Wastewater collection and treatment	164,514
Water and sewer field operations	749,515
Depreciation	395,247
Total operating expenses	<u>1,728,291</u>
Operating income	<u>168,213</u>
NONOPERATING REVENUES (EXPENSES)	
Interest charges	(40,436)
Investment earnings	692
Total nonoperating revenue (expenses)	<u>(39,744)</u>
Income before transfers	128,469
TRANSFERS IN	23,527
TRANSFERS OUT	<u>(84,732)</u>
Changes in net position	67,264
Total net position, beginning, as previously reported	9,829,008
Prior period adjustment (Note VII)	325,000
Total net position, beginning, restated	<u>10,154,008</u>
Total net position, ending	<u><u>\$ 10,221,272</u></u>

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

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TOWN OF NORWOOD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 9

	Major Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,826,657
Cash paid for goods and services	(1,025,333)
Cash paid to or on behalf of employees for services	(162,694)
Other revenue	44,097
Customer deposits received	20,512
Customer deposits returned	(14,622)
Net cash provided by operating activities	<u>688,617</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	23,527
Decrease in due from/to other funds	(177,568)
Cash received from Union County contract	75,000
Transfer to other funds	(84,732)
Net cash (used) by noncapital financing activities	<u>(163,773)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(548,316)
Principal paid on note maturities	(166,155)
Interest paid on note maturities	(40,436)
Net cash (used) by capital and related financing activities	<u>(754,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>692</u>
Net cash provided by investing activities	<u>692</u>
Net (decrease) in cash and cash equivalents	(229,371)
Balances, beginning of the year	<u>530,267</u>
Balances, end of the year	<u><u>\$ 300,896</u></u>

TOWN OF NORWOOD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
For the Year Ended June 30, 2021

Exhibit 9

	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 168,213
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	395,247
Changes in assets and liabilities:	
(Increase) in accounts receivables, net	(25,751)
(Increase) in inventories	(90,875)
(Decrease) in unearned revenue	(3,351)
Increase in accounts payable and accrued liabilities	225,022
(Decrease) in accrued salaries and wages	(803)
Increase in compensated absences	1,162
Increase in customer deposits	5,890
(Increase) decrease in deferred outflows of resources-pensions-LGERS	(470)
(Increase) decrease in deferred outflows of resources-OPEB	(5,048)
Increase (decrease) in net pension liability	3,495
Increase (decrease) in OPEB liability	14,722
Increase (decrease) in deferred inflows of resources-pensions-LGERS	711
Increase (decrease) in deferred inflows of resources-OPEB	453
Total adjustments	520,404
Net cash provided by operating activities	\$ 688,617

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The Town of Norwood is a municipal corporation in Stanly County and has a population of approximately 2,400. The Town is a municipal corporation that is governed by an elected mayor and a five-member council. The Town provides services which include general government, public safety, streets, environmental protection, cemetery, and cultural and recreation. The Town maintains a water and sewer system which services the Town and surrounding areas on a user-charge basis.

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 activity* 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 business-type activity 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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, cemetery, cultural and recreation, and general government services.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Water and Sewer fund is comprised of the three sub-funds: Water and Sewer Operations, the Wastewater Treatment Improvement Project fund, and the Sanitary Sewer Improvement Project fund, where activity is reported together for financial reporting purposes. The budgetary comparisons for each of these subfunds have been included in supplementary information.

Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

TOWN OF NORWOOD
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For the Year Ended June 30, 2021

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Norwood because the tax is levied by Stanly County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

Budgetary Data.

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Wastewater Treatment Improvement Project Fund and the Sanitary Sewer Improvement Project Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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 the multi-year funds. All amendments must be approved by the governing Council, and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than six months.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

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

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Norwood Restricted Cash</u>		
<u>Governmental Activities</u>		
General fund	Streets (Powell Bill)	\$ 212,417
<u>Business-type Activities</u>		
Water and Sewer fund	Customer deposits	\$ 38,650

Ad Valorem Taxes Receivable

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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

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.

Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund did not have any inventory.

The inventories of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, equipment, improvements, vehicles, computer software, infrastructure, plant and distribution systems, and equipment and furniture, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Infrastructure	20-50
Improvements	10-20
Vehicles	5-15
Computer software	5
Furniture and equipment	5-10
Computer equipment	3-5

Deferred outflows/inflows of resources

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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There are no nonspendable fund balance items.

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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

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

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

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

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

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

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

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

Note II – Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures exceeded the authorized appropriations made by the governing board by \$43,396 in General Government, by \$37,499 in the Culture and Recreation department, by \$27,633 in debt service and in transfers in the General fund by \$23,527 and transfers in the Water/Sewer fund by \$84,732. Management and the Council will more closely review the budget reports to ensure compliance in future years.

Noncompliance with North Carolina General Statutes

State law (G.S. 159-34) requires the unit to have its accounts audited as soon as possible after the close of each fiscal year. The audit due date for this audit would have been October 31, 2021. This Statute was not complied with. We recommend, going forward, that the Town take every possible step to have audits completed in a timely manner. The Town agrees with this recommendation and will work to achieve this going forward.

Pursuant to G.S. 159-33 LGC 203 report, Cash and Investment summary, was not timely filed. The Town's June 30, 2021 report was due by July 31, 2021 but was filed in November of 2021. The Town should implement procedures to ensure the timely filing of this report in the future. The Town agrees with this recommendation and will work to resolve this issue going forward.

Pursuant to G.S. 136-41.1 through 136-41.4, Powell Bill Expenditures Report, was not timely filed. The Town's June 30, 2021 report was due on August 1, 2021, but was filed in November of 2021. The Town should implement procedures to ensure the timely filing of this report in the future. The Town agrees with this recommendation and will work to resolve this issue going forward.

Note III - Detail Notes on All Funds

Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

inability to measure the exact amounts of collateral pledged for the Town and under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$848,957 and a bank balance of \$978,865. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$250.

Investments

At June 30, 2021, the Town of Norwood had \$1,354,758 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2021. The Town has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Governmental activities		
General fund:		
Taxes receivable	\$	40,000
Accounts receivable		<u>5,500</u>
Total General fund		45,500
Business-type activities		
Enterprise fund		
Water and Sewer fund		
Accounts receivable		<u>97,000</u>
Total	\$	<u>142,500</u>

Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,304,806	\$ 141,853	\$ -	\$ 1,446,659
Total assets not being depreciated	<u>1,304,806</u>	<u>141,853</u>	<u>-</u>	<u>1,446,659</u>
Capital assets being depreciated:				
Buildings	936,104	30,955	3,058	964,001
Equipment	545,109	7,390	-	552,499
Other improvements	1,428,086	48,120	-	1,476,206
Vehicles and motorized equipment	617,906	31,328	-	649,234
Infrastructure	<u>305,720</u>	<u>-</u>	<u>-</u>	<u>305,720</u>

TOWN OF NORWOOD
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For the Year Ended June 30, 2021

Total assets being depreciated	<u>3,832,925</u>	<u>117,793</u>	<u>3,058</u>	<u>3,947,660</u>
Less Accumulated depreciation for:				
Buildings	273,268	20,736	3,058	290,946
Equipment	343,942	36,873	-	380,815
Other improvements	1,022,338	78,629	-	1,100,967
Vehicles and motorized equipment	342,902	65,513	-	408,415
Infrastructure	<u>305,720</u>	<u>-</u>	<u>-</u>	<u>305,720</u>
Total accumulated depreciation	<u>2,288,170</u>	<u>201,751</u>	<u>3,058</u>	<u>2,486,863</u>
Total capital assets being depreciated	<u>1,544,755</u>			<u>1,460,797</u>
Governmental activity capital assets, net	<u>\$ 2,849,561</u>			<u>\$ 2,907,456</u>

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

General government	\$ 33,527
Public safety	60,580
Transportation	14,831
Environmental protection	38,140
Cultural and recreation	<u>54,673</u>
Total depreciation expense	<u>\$ 201,751</u>

Capital asset activity for the Business-type activities for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Retirements and Transfers</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 552,989	\$ -	\$ -	\$ 552,989
Construction in progress	<u>521,845</u>	<u>394,102</u>	<u>-</u>	<u>915,947</u>
Total capital assets not being depreciated	<u>1,074,834</u>	<u>394,102</u>	<u>-</u>	<u>1,468,936</u>
Capital assets being depreciated:				
Vehicles	170,338	-	-	170,338
Plant and distribution systems	16,876,327	154,214	-	17,030,541
Furniture and maintenance equipment	<u>732,229</u>	<u>-</u>	<u>-</u>	<u>732,229</u>
Total capital assets being depreciated	<u>17,778,894</u>	<u>154,214</u>	<u>-</u>	<u>17,933,108</u>
Less accumulated depreciation for:				
Vehicles	67,975	27,662	-	95,637
Plant and distribution systems	7,071,819	331,181	-	7,403,000
Furniture and maintenance equipment	<u>442,997</u>	<u>36,404</u>	<u>-</u>	<u>479,401</u>
Total accumulated depreciation	<u>7,582,791</u>	<u>395,247</u>	<u>-</u>	<u>7,978,038</u>
Total capital assets being depreciated, net	<u>10,196,103</u>			<u>9,955,070</u>
Business-type activities capital assets, net	<u>\$ 11,270,937</u>			<u>\$ 11,424,006</u>

Engineering and Construction Commitments

The Town has active engineering and construction projects as of June 30, 2021. At year-end, the Town's commitments are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Project Commitment</u>
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TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Water Treatment Improvement	\$ 721,632	\$ 3,740,571
Sanitary Sewer Improvement	194,315	76,840
<u>Liabilities</u>		

Pension Plan and Post Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Norwood 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Norwood 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 Norwood's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.32% 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 Norwood were \$79,333 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 \$386,287 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.01081%, which was a decrease of 0.00040% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$130,898. 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	\$ 48,781	\$ -
Changes of assumptions	28,747	-
Net difference between projected and actual earnings on pension plan investments	54,360	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,022	12,973
Employer contributions subsequent to the measurement date	79,333	-
Total	<u>\$ 220,243</u>	<u>\$ 12,973</u>

\$79,333 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

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	35,169
2023		50,500
2024		26,181
2025		16,087
2026		-
Thereafter		-
Total	\$	<u>127,937</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.0%. 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 7.0 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 (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Town proportionate share of the net pension liability (asset)	\$ 783,735	\$ 386,287	\$ 55,980

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

Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Norwood 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

TOWN OF NORWOOD
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who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, 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	<u>7</u>
Total	<u><u>8</u></u>

Summary of Significant Accounting Policies

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

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

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

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

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

All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with scale MP-2019.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There 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. The Town paid \$13,499 as benefits came due for the reporting period.

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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 \$209,715. 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 \$23,006.

At June 30, 2021 the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,374	\$ 10,253
Changes of assumptions and other inputs	63,982	3,364
Benefit payments made subsequent to the measurement date	13,499	-
Total	<u>\$ 83,855</u>	<u>\$ 13,617</u>

\$13,499 reported as deferred outflows of resources related to pensions resulting from benefit payments made 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 outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 10,365
2023	10,549
2024	9,260
2025	9,721
2026	8,800
Thereafter	<u>8,044</u>
Total	<u>\$ 56,739</u>

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

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

	1% Decrease (0.93%)	Discount Rate (1.93)	1% Increase (2.93)
Total pension liability	\$ 229,283	\$ 209,715	\$ 191,680

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

Beginning balance	\$ 153,629
Service cost	7,505
Interest on the total pension liability	4,788
Changes of benefit terms	-
Differences between expected and actual experience in the	
Measurement of the total pension liability	(10,476)
Changes of assumptions or other inputs	67,768
Benefit payments	(13,499)
Other changes	-
Ending balance of the total pension liability	<u>\$ 209,715</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study completed by the actuary for the Local Governmental Employee Retirement System for the five-year period ending December 31, 2019. No significant changes in actuarial assumptions were noted other than a decrease in the municipal bond rate from 3.26% at the prior measurement date to 1.93% as of December 31, 2020.

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

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

	LGERS	LEOSSA	TOTAL
Pension expense	\$ 130,898	\$ 23,006	\$ 153,904
Pension liability	386,287	209,715	596,002
Proportionate share of the net pension liability	0.01081%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	48,781	6,374	55,155
Changes in assumptions	28,747	63,982	92,729
Net difference between projected and actual earnings on plan investments	54,360	-	54,360
Changes in proportion and differences between contributions and proportionate share of contributions	9,022	-	9,022
Contributions, benefit payments and administrative costs paid subsequent to the measurement date	79,333	13,499	92,832
Deferred inflows of resources			
Differences between expected and actual experience	-	10,253	10,253
Changes in assumptions	-	3,364	3,364
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,973	-	12,973

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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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. The Town made contributions of \$17,286 for the reporting year. No amounts were forfeited.

Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit healthcare plan ("the Retiree Health Plan"). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No such assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 20 years of of creditable service with the Town, of which the last 10 years were consecutive. Retirees who qualify for coverage will receive healthcare benefits paid fully by the Town, until the retiree reaches the age of 65 or becomes eligible to receive Medicare benefits. The cost paid by the Town to provide these benefits to retirees shall not exceed the amounts paid by the Town to provide healthcare benefits for current full time employees. The Town pays the full cost of coverage for these benefits through private insurers. A separate report was not issued for the plan. During the year ended June 30, 2021, no retirees were receiving benefits.

Membership of the Retiree Health Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	18
Total	<u>18</u>

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Total OPEB Liability

The Town's total OPEB liability of \$324,005 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Law enforcement officer	3.50% - 7.35%
Discount rate	2.21 %
Healthcare cost trend rates	
Dental	4.00%
Pre-Medicare	7.0% for 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index published at the last Thursday of June by The Bond Buyer as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 241,594
Changes for the year	
Service cost	26,616
Interest	9,373
Changes of benefit terms	-
Differences between expected and actual experience	(57)
Changes in assumptions or other inputs	46,879
Benefit payments	-
Net changes	<u>82,411</u>
Total OPEB Liability as of June 30, 2021	<u><u>\$ 324,005</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2019 valuation.

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

	Discount Rate		
	1% Decrease	(2.21%)	1% Increase
Total OPEB liability	\$ 365,213	\$ 324,005	\$ 287,077

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

	Healthcare Cost Trend Rates		
	1% Decrease	(4.00% Dental, 7.0% Pre-medicare)	1% Increase
Total OPEB Liability	\$ 270,017	\$ 324,005	\$ 390,027

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$30,268. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,070
Changes of assumptions	44,284	18,106
Total	<u>\$ 44,284</u>	<u>\$ 87,176</u>

At June 30, 2021, the Town reported no deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, as no retirees were receiving benefits. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (7,706)
2023	(7,706)
2024	(7,705)
2025	(7,704)
2026	(6,486)
Thereafter	<u>(5,585)</u>
Total	<u>\$ (42,892)</u>

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Other Employment Benefit

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

Deferred Outflows and Inflows of Resources

The Town had deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Contributions to the pension plan in current fiscal year	\$ 79,333
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	13,499
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	55,155
Changes in assumptions	137,013
Net difference between projected and actual earnings on pension plan investments	54,360
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,022
Total	<u>\$ 348,382</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes	\$ -	\$ 289
Taxes receivable (General Fund)	-	40,590
Difference between expected and actual experience	79,323	-
Changes of assumptions	21,470	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	12,973	-
Total	<u>\$ 113,766</u>	<u>\$ 40,879</u>

Risk Management

TOWN OF NORWOOD
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The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$3 million per occurrence and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The pools are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries no flood insurance through the National Flood Insurance Plan (NFIP).

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Claims, Judgments and Contingent Liabilities

At June 30, 2021, there was no material pending or threatened litigation or assessments involving the Town of Norwood.

Long-Term Obligations

Capital Lease

The Town has entered into an agreement to lease certain vehicles. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

In June 2020, the Town of Norwood entered into a capital lease purchase of \$136,541 for four vehicles. The agreements require annual payments of \$29,107 this first year and \$30,135 for three years a final payment of \$47,096 for a total of a five year agreement with an interest rate of 4.417%.

In June 2021, the Town of Norwood entered into a capital lease purchase of \$31,328 for one vehicle. The agreement requires annual payments of \$6,844 for four years and a final payment of \$9,185 with an interest rate of 3.625%.

TOWN OF NORWOOD
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The following is an analysis of the assets recorded under the capital lease at June 30, 2021:

<u>Classes of Property</u>	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	<u>\$ 167,869</u>	<u>\$ 26,999</u>	<u>\$ 140,870</u>

The future minimum payment of the capital lease purchase agreements of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
2022	\$ 31,433	\$ 5,547	\$ 36,980
2023	31,433	5,547	36,980
2024	31,433	5,547	36,980
2025	41,772	12,168	53,940
2026	<u>9,185</u>	<u>-</u>	<u>9,185</u>
Total minimum lease payments	145,256	28,809	174,065
Less: amount representing interest	<u>27,663</u>	<u>5,532</u>	<u>33,195</u>
Present value of the minimum lease Payments	<u>\$ 117,593</u>	<u>\$ 23,277</u>	<u>\$140,870</u>

Installment Purchase Agreements

In August 2009, the Town entered into a \$250,000 direct placement contract to finance the Lake Shore Water Lines. The financing agreement requires annual payments beginning in the fiscal year 2011 with an interest rate of 4.02%. The future minimum payments of the installment purchase agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 16,667	\$ 2,717
2023	16,667	2,038
2024	16,667	2,025
2025	16,651	-
2026	<u>-</u>	<u>-</u>
Total	<u>\$ 66,652</u>	<u>\$ 6,780</u>

In September 2012, the Town entered into a \$2,312,873 direct placement to finance the Berry Hill Sewer Project, which is funded by an installment purchase agreement from the Department of Environment and Natural Resources. The loan has an interest rate of 2.0%. The future minimum payments on the installment purchase agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 123,650	\$ 29,676
2023	123,650	27,203
2024	123,650	24,729
2025	123,650	22,257
2026	123,650	19,784
2027-2031	618,248	61,825
Thereafter	<u>247,299</u>	<u>7,419</u>
Total	<u>\$1,483,797</u>	<u>\$192,893</u>

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In November 2017, the Town entered into a \$405,000 direct placement contract to finance vehicles and equipment for General Fund use. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires annual payments with an interest rate of 2.77%. The future minimum payments of the installment purchase agreement as of June 30, 2021 are as follows.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 59,393	\$ 5,146
2023	61,061	3,478
2024	62,404	1,763
2025	-	-
Total	<u>\$ 182,858</u>	<u>\$ 10,387</u>

In October 2018, the Town of Norwood entered into a \$45,485 direct placement contract to finance vehicles and equipment for General Fund use. The property is pledged as collateral for the debt while the debt is outstanding. The financial agreement requires annual payments of \$10,016 including an interest rate of 3.25%. The future minimum payments of the installment purchase agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 9,088	\$ 928
2023	9,388	628
2024	9,698	318
2025	-	-
Total	<u>\$ 28,174</u>	<u>\$ 1,874</u>

In December 2018, the Town of Norwood entered into a \$56,000 direct placement contract to finance a vehicle for Enterprise fund use. The property is pledged as collateral for the debt while the debt is outstanding. The financial agreement requires annual payments of \$12,510 including an interest rate of 3.75%. The future minimum payments of the installment purchase agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 11,184	\$ 1,324
2023	11,612	900
2024	12,058	452
2025	-	-
Total	<u>\$ 34,854</u>	<u>\$ 2,676</u>

In February 2020, the Town of Norwood entered into a \$55,121 direct placement contract to finance a vehicle for Enterprise fund use. The property is pledged as collateral for the debt while the debt is outstanding. The financial agreement requires annual payments of \$12,349 including an interest rate of 3.85%. The future minimum payments of the installment purchase agreement as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 11,009	\$ 1,340
2023	11,438	911
2024	11,883	463
2025	-	-
Total	<u>\$ 34,330</u>	<u>\$ 2,714</u>

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At June 30, 2021, the Town of Norwood had no bonds authorized or outstanding and a legal debt margin of \$25,562,657.

Changes in Long-Term Liabilities

	Beginning Balance	Increase	Decrease	Ending Balance	Current Maturities
Governmental Activities:					
Direct placement					
installment purchases	\$ 277,951	\$ -	\$ 66,919	\$ 211,032	\$ 68,481
Capital leases	108,783	31,328	22,518	117,593	24,873
Compensated absences	30,926	18,500	18,547	30,879	15,440
Other post-employment					
Benefits	217,435	67,689	-	285,124	-
Net pension liability (LGERS)	263,277	76,656	-	339,933	-
Total pension liability (LEO)	153,629	56,086	-	209,715	-
Total	<u>\$ 1,052,001</u>	<u>\$ 250,259</u>	<u>\$ 107,984</u>	<u>\$ 1,194,276</u>	<u>\$ 108,794</u>
Business-Type Activities:					
Direct placement					
installment purchases	\$ 1,781,307	\$ -	\$ 161,674	\$ 1,619,633	\$ 162,510
Capital leases	27,758	-	4,481	23,277	4,164
Compensated absences	5,244	1,325	163	6,406	3,203
Other post-employment					
Benefits	24,159	14,722	-	38,881	-
Net pension liability (LGERS)	42,859	3,495	-	46,354	-
Total	<u>\$ 1,881,327</u>	<u>\$ 19,542</u>	<u>\$ 166,318</u>	<u>\$ 1,734,551</u>	<u>\$ 169,877</u>

Compensated absences have typically been liquidated in the General Fund and the Water and Sewer Fund.

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2021, consist of the following:

To the General Fund from the Enterprise Fund for the forgiveness
of outdated interfund balances. \$ 84,732

From the General Fund to the Sanitary Sewer capital project fund
for the forgiveness of outdated interfund balances. \$ 23,527

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	\$ 2,186,161
Restricted-Stabilization by State Statute	380,565
Restricted-Streets – Powell Bill	212,417
Assigned-Appropriated fund balance in the subsequent year's budget	<u>445,064</u>
Unassigned fund balance	<u>\$ 1,148,115</u>

TOWN OF NORWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Note IV – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note V – Subsequent Event

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARPA”) was signed into law. The law appropriates \$1.9 trillion of federal funding for COVID-19 relief and economic recovery including provisions directly benefiting state and local governments. North Carolina is expecting to receive over \$8.6 billion for state and local government relief, \$3.2 billion of which is to be distributed to local governments via federal formulas. ARPA funds are restricted to use within broad categories outlined in the Act, though within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. State and local governments must obligate ARPA funds by December 31, 2024, and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received ARPA allocations of \$390,245. The Town is currently collaborating on a plan to utilize the funds received.

Note VI - Impact of Coronavirus on Town

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Note VII – Restatements - Prior Period Adjustment

During the fiscal year ended June 30, 2021, the Town determined that non-operating revenues receivable from Union County of \$325,000 had not been recorded in the Water and Sewer fund. These revenues were subject to accrual at June 30, 2020 and had been omitted. Therefore, an adjustment to beginning Net Position has been recorded to account for those accruals, the net effect of which increased beginning net position by \$325,000.

Required Supplemental Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability of Law Enforcement Officer's Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll of Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

TOWN OF NORWOOD
TOWN OF NORWOOD'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
Required Supplementary Information
Last Eight Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Norwood's proportion of the net pension liability (asset) (%)	0.01081%	0.01121%	0.01060%	0.00827%	0.01084%	0.01021%	0.00923%	0.01010%
Norwood's proportion of the net pension liability (asset) (\$)	\$ 386,287	\$ 306,136	\$ 251,468	\$ 126,343	\$ 230,061	\$ 45,822	\$ (54,434)	\$ 121,744
Norwood's covered payroll	\$ 669,565	\$ 693,017	\$ 644,865	\$ 591,447	\$ 606,863	\$ 643,291	\$ 612,199	\$ 637,229
Norwood's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	57.69%	44.17%	39.00%	21.36%	37.91%	7.12%	(8.89%)	19.11%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF NORWOOD
TOWN OF NORWOOD'S CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
Required Supplementary Information
Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 79,333	\$ 62,222	\$ 56,217	\$ 50,652	\$ 44,883	\$ 40,835	\$ 45,738	\$ 43,711
Contributions in relation to the contractually required contribution	<u>79,333</u>	<u>62,222</u>	<u>56,217</u>	<u>50,652</u>	<u>44,883</u>	<u>40,835</u>	<u>45,738</u>	<u>43,711</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Norwood's covered payroll	\$ 751,255	\$ 669,565	\$ 693,017	\$ 644,865	\$ 591,447	\$ 606,863	\$ 643,291	\$ 612,199
Contributions as a percentage of covered payroll	10.56%	9.29%	8.11%	7.85%	7.59%	6.73%	7.11%	7.14%

TOWN OF NORWOOD
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
Required Supplementary Information
Last Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 153,629	\$ 142,502	\$ 152,141	\$ 143,762	\$ 149,150
Service cost	7,505	7,603	6,736	5,084	5,958
Interest on the total pension liability	4,788	4,941	4,594	5,289	5,084
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(10,476)	7,665	(2,427)	3,243	-
Changes of assumptions or other inputs	67,768	4,417	(5,043)	8,262	(2,931)
Benefits payments	(13,499)	(13,499)	(13,499)	(13,499)	(13,499)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 209,715</u>	<u>\$ 153,629</u>	<u>\$ 142,502</u>	<u>\$ 152,141</u>	<u>\$ 143,762</u>

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

TOWN OF NORWOOD
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE
OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
Required Supplementary Information
Last Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 209,715	\$ 153,629	\$ 142,502	\$ 152,141	\$ 143,762
Covered-employee payroll	304,852	339,687	288,692	246,290	281,148
Total pension liability as a percentage of covered-employee payroll	68.79%	45.23%	49.36%	61.77%	51.13%

Notes to the schedule:

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

TOWN OF NORWOOD
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Required Supplementary Information
Last Four Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 26,216	\$ 32,201	\$ 33,077	\$ 35,371
Interest	9,373	11,004	9,015	6,925
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(57)	(87,458)	(14)	(13)
Changes of assumptions	46,879	2,978	(12,437)	(19,115)
Benefit payments	-	-	-	-
Net change in total OPEB liability	82,411	(41,275)	29,641	23,168
Total OPEB liability - beginning	241,594	282,869	253,228	230,060
Total OPEB liability - ending	<u>\$ 324,005</u>	<u>\$ 241,594</u>	<u>\$ 282,869</u>	<u>\$ 253,228</u>
Covered-employee payroll	\$ 659,368	\$ 659,368	\$ 693,017	\$ 644,865
Total OPEB liability as a percentage of covered-employee payroll	49.14%	36.64%	40.82%	39.27%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

No assets are accumulated in a trust that meets the requirements of GASB No. 75, paragraph 4 to pay related benefits

INDIVIDUAL FUND
FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

TOWN OF NORWOOD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Exhibit A-1
page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 1,268,208	\$ -
Interest	-	3,929	-
Total ad valorem taxes	1,357,800	1,272,137	(85,663)
Unrestricted intergovernmental:			
Local option sales taxes	-	709,140	-
Franchise tax	-	173,038	-
Beer and wine tax	-	10,111	-
Gas tax refund	-	8,422	-
Sales tax refund	-	39,519	-
Occupancy tax	-	1,338	-
Total unrestricted intergovernmental	848,200	941,568	93,368
Restricted intergovernmental:			
Powell Bill allocation	-	71,038	-
Grant proceeds	-	91,190	-
Solid waste disposal tax	-	1,812	-
Confiscated property allocations	-	7,123	-
Total restricted intergovernmental	113,700	171,163	57,463
Permits and fees:			
Land right of way fees	-	141,853	-
Zoning permits	-	2,975	-
Other permits	-	725	-
Total permits and fees	4,120	145,553	141,433
Sales and services:			
Garbage collections	-	146,022	-
Rents, concessions and fees	-	3,850	-
Police officers cost	-	2,390	-
Surplus sales	-	8,303	-
Total sales and services	191,000	160,565	(30,435)
Investment earnings	1,090	1,060	(30)
Miscellaneous	20,320	70,916	50,596
Total revenues	2,536,230	2,762,962	226,732

TOWN OF NORWOOD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2021

Exhibit A-1
page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Salaries and employee benefits	-	250,481	-
Operating expenditures	-	332,662	-
Capital outlay	-	159,303	-
Total general government	699,050	742,446	(43,396)
Police department:			
Salaries and employee benefits	-	548,782	-
Operating expenditures	-	187,368	-
Capital outlay	-	46,466	-
Total police department	1,098,000	782,616	315,384
Streets - municipality:			
Salaries and employee benefits	-	113,707	-
Operating expenditures	-	86,493	-
Total streets - municipality	316,100	200,200	115,900
Streets - Powell Bill:			
Professional services	-	800	-
Operating expenditures	-	128,625	-
Total streets - powell bill	184,300	129,425	54,875
Total Transportation	500,400	329,625	170,775
Sanitation:			
Salaries and employee benefits	-	104,608	-
Operating expenditures	-	204,702	-
Capital outlay	-	13,505	-
Total sanitation	397,850	322,815	75,035
Culture and recreation:			
Salaries and employee benefits	-	45,847	-
Operating expenditures	-	48,980	-
Capital outlay	-	40,372	-
Total cultural and recreational	97,700	135,199	(37,499)
Cemetery:			
Salaries and employee benefits	-	26,679	-
Operating expenditures	-	5,904	-
Total cemetery	54,450	32,583	21,867

TOWN OF NORWOOD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2021

Exhibit A-1
page 3 of 3

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	68,500	89,437	(20,937)
Interest and other charges	6,450	13,146	(6,696)
Total	74,950	102,583	(27,633)
Total expenditures	2,922,400	2,447,867	474,533
Revenues over (under) expenditures	(386,170)	315,095	701,265
Other financing sources:			
Insurance proceeds	-	56,597	56,597
Issuance of capital lease	-	31,328	31,328
Transfer to Sewer project fund	-	(23,527)	(23,527)
Transfer from Water/Sewer fund	-	84,732	84,732
Appropriated fund balance	386,170	-	(386,170)
Total other financing sources	386,170	149,130	(237,040)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	\$ -	464,225	\$ 464,225
Fund Balance, beginning		1,721,936	
Fund Balance, ending		\$ 2,186,161	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

Wastewater Treatment Improvement Project Fund – This sub-fund of the Water and Sewer fund is used to account for the loan proceeds from NCDEQ used for construction and improvements for the wastewater treatment improvement project.

Sanitary Sewer Improvement Project Fund – This sub-fund of the Water and Sewer fund is used to account for the loan proceeds from NCDEQ used for construction and improvements for the sanitary sewer improvement project.

TOWN OF NORWOOD
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

Exhibit B-1
page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water and sewer	\$ -	\$ 1,713,605	\$ -
Water and sewer taps	-	43,575	-
Reconnection and availability fees	-	95,227	-
Sales tax refund	-	44,097	-
Total operating revenues	2,156,600	1,896,504	(260,096)
Nonoperating revenues:			
Union County contractual payment	-	75,000	-
Interest on investments	-	692	-
Total nonoperating revenues	75,700	75,692	(8)
Total revenues	2,232,300	1,972,196	(260,104)
Expenditures:			
Water treatment and distribution:			
Operating expenditures	-	419,015	-
Total water treatment and distribution	495,200	419,015	76,185
Wastewater collection and treatment:			
Operating expenditures	-	164,514	-
Total wastewater collection and treatment	219,150	164,514	54,636
Water and sewer field operations:			
Salaries and employee benefits	-	147,669	-
Operating expenditures	-	586,821	-
Capital outlay	-	154,214	-
Total water and sewer field operations	1,204,300	888,704	315,596
Debt service:			
Principal retirement	-	166,155	-
Interest and other charges	-	40,436	-
Total debt service	218,000	206,591	11,409
Total expenditures	2,136,650	1,678,824	457,826
Revenues under expenditures	95,650	293,372	197,722
Other financing sources (uses):			
Transfer to Water and Sewer fund	(95,650)	-	95,650
Transfer to the General fund	-	(84,732)	(84,732)
Total other financing sources (uses)	(95,650)	(84,732)	10,918
Net change in fund balance	\$ -	\$ 208,640	\$ 208,640

TOWN OF NORWOOD
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
(Continued)
For the Year Ended June 30, 2021

Exhibit B-1
page 2 of 2

	<u>Actual</u>
Reconciliation from budgetary basis	
Net change in fund balance - budgetary basis	\$ 208,640
Depreciation	(395,247)
Capital outlay	154,214
Debt principal	166,155
Payment on long-term receivable	(75,000)
Transfer from General fund	23,527
Increase in compensated absences	(1,162)
Increase (Decrease) in deferred outflows of resources for pensions	470
Increase (Decrease) in deferred outflows of resources for OPEB	5,048
(Increase) Decrease in net pension liabilities	(3,495)
(Increase) Decrease in OPEB liabilities	(14,722)
(Increase) Decrease in deferred inflows of resources for pensions	(711)
(Increase) Decrease in deferred inflows of resources for OPEB	(453)
Total	<u>(141,376)</u>
Change in Net Position	<u><u>\$ 67,264</u></u>

TOWN OF NORWOOD
WASTEWATER TREATMENT IMPROVEMENT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2021

Exhibit B-2

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest earned	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Planning and design	428,420	356,368	43,737	400,105	28,315
Construction	3,537,000	-	234,442	234,442	3,302,558
Legal and testing expenses	50,000	-	-	-	50,000
Contingency	341,000	-	87,085	87,085	253,915
Total expenditures	<u>4,356,420</u>	<u>356,368</u>	<u>365,264</u>	<u>721,632</u>	<u>3,634,788</u>
Other financing sources					
NCDEQ State reserve project loan proceeds	4,271,000	-	-	-	(4,271,000)
Transfer from Water/Sewer fund	85,420	-	-	-	(85,420)
Total other financing sources	<u>4,356,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,356,420)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (356,368)</u>	<u>\$ (365,264)</u>	<u>\$ (721,632)</u>	<u>\$ (721,632)</u>

TOWN OF NORWOOD
SANITARY SEWER IMPROVEMENT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2021

Exhibit B-3

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest Earned	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Planning and design	225,625	159,722	28,838	188,560	37,065
Construction	1,704,950	-	-	-	1,704,950
Legal and testing expenses	52,000	-	-	-	52,000
Contingency	160,695	5,755	-	5,755	154,940
Total expenditures	<u>2,143,270</u>	<u>165,477</u>	<u>28,838</u>	<u>194,315</u>	<u>1,948,955</u>
Other financing sources					
NCDEQ State reserve project loan proceeds	2,101,245	-	-	-	(2,101,245)
Transfer from General fund	-	-	23,527	23,527	23,527
Transfer from Water/Sewer fund	42,025	-	-	-	(42,025)
Total other financing sources	<u>2,143,270</u>	<u>-</u>	<u>23,527</u>	<u>23,527</u>	<u>(2,119,743)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (165,477)</u>	<u>\$ (5,311)</u>	<u>\$ (170,788)</u>	<u>\$ (170,788)</u>

Other Schedules

This section includes additional information on property taxes.

- *Schedule of Ad Valorem Taxes Receivable*
- *Analysis of Current Tax Levy*

TOWN OF NORWOOD
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

Exhibit C-1

<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	\$ -	\$ 1,262,200	\$ 1,242,284	\$ 19,916
2019-2020	26,478	-	14,715	11,763
2018-2019	13,786	-	4,108	9,678
2017-2018	9,718	-	1,237	8,481
2016-2017	6,428	-	1,015	5,413
2015-2016	5,464	-	469	4,995
2014-2015	4,943	-	202	4,741
2013-2014	6,188	-	714	5,474
2012-2013	6,825	-	1,396	5,429
2011-2012	5,401	-	701	4,700
2010-2011	6,345	-	6,345	-
	<u>\$ 91,576</u>	<u>\$ 1,262,200</u>	<u>\$ 1,273,186</u>	80,590
Less: allowance for doubtful accounts: General Fund				<u>40,000</u>
Ad valorem taxes receivable - net				<u>\$ 40,590</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,272,137
Reconciling items:				
Interest and penalties				(3,929)
Adjustments				(1,367)
Taxes written off				<u>6,345</u>
Total collections and credits				<u>\$ 1,273,186</u>

TOWN OF NORWOOD
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
June 30, 2021

Exhibit C-2

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 314,189,487	0.39	\$ 1,225,339	\$ 1,137,672	\$ 87,667
Discoveries	9,718,718	0.39	37,903	37,903	-
Abatements	(267,179)	0.39	(1,042)	(1,042)	-
Total property valuation	<u>\$ 323,641,026</u>				
Net Levy:			1,262,200	1,174,533	87,667
Uncollected taxes at June 30, 2021			(19,916)	(19,730)	(186)
Current year's taxes collected			<u>\$ 1,242,284</u>	<u>\$ 1,154,803</u>	<u>\$ 87,481</u>
Current levy collection percentage			<u>98.42%</u>	<u>98.32%</u>	<u>99.79%</u>

COMPLIANCE SECTION

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 557-1176

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

INDEPENDENT AUDITORS' REPORT

**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 Norwood, North Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Norwood, North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprises the Town of Norwood's basic financial statements, and have issued our report thereon dated April 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Norwood's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Norwood'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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-1 that we consider to be a material weakness.

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-2 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Norwood's financial statements are free of 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses/schedule of finding and questioned costs as item 2021-3.

Town of Norwood's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Anderson Smith + Wike PLLC". The signature is written in a cursive, flowing style.

April 27, 2022
Rockingham, North Carolina

**Town of Norwood, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

No major Federal programs reported

State Awards

No major State programs reported

Section II. Financial Statement Findings

Finding 2021-1

MATERIAL WEAKNESS

Internal controls over year-end closing of books and records

Criteria: The Town should implement and monitor effective internal controls over the year-end closing process to ensure that the books and records are materially accurate.

Condition: Numerous trial balance accounts were not adjusted to their correct year-end balances.

Effect: Inadequate internal controls over the year-end closing process increases the potential for material misstatement of financial statements.

Cause: Inadequate implementation and monitoring of policies and procedures in place over the year-end closing process coupled with insufficient personnel with appropriate accounting expertise.

Recommendations: Appropriate policies and procedures should be put into operation over the year-end closing process. Additionally, the Town should seek outside sources of accounting expertise to assist them with implementing the policies and procedures and training and oversight of financial staff.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and has hired various accounting personnel to address this situation going forward.

Town of Norwood, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Finding 2021-2

SIGNIFICANT DEFICIENCY

Segregation of Duties

Criteria:	Segregation of duties provides checks and balances to reduce possibilities for misstatements resulting from errors in judgment, dishonesty, personal carelessness, distraction and fatigue.
Condition:	The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.
Effect:	Potential misstatement of financial statements.
Cause:	The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.
Recommendations:	The Board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

Views of responsible officials and planned corrective actions: The Council agrees with this finding.

Finding 2021-3

MATERIAL NON-COMPLIANCE

Exceeded authorized appropriations

Criteria:	G.S. 159-8(a) states that all monies received and expended by a local government or public authority should be included in the budget ordinance,
Condition:	The Town of Norwood's expenditures exceeded the authorized appropriations made by the governing board by \$43,396 in General Government, by \$37,499 in the Culture and Recreation department, by \$27,633 in debt service and in transfers in the General fund by \$23,527 and transfers in the Water/Sewer fund by \$84,732.
Effect:	Money was spent that had not been appropriated.
Cause:	The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.
Recommendation:	Budget amendments should be adopted before expenditures exceeded budgeted expenditures in the budget ordinance.

Views of responsible officials and planned corrective actions. The Town agrees with this finding.

Budget amendments will be adopted prior to making expenditures that exceeded budgeted amounts.

Section III. Federal Award Findings and Responses

None reported

Section IV. State Award Findings and Responses

None reported



The Gateway to Lake Tillery

TOWN ADMINISTRATOR

Scott Howard

TOWN CLERK

Kelly Caudle

FINANCE OFFICER

DeRita Carpenter

MAYOR

Linda Campbell

MAYOR PRO-TEM

James Lilly

COUNCILMEMBERS

Robbie Cohen

Betty Harrison

Wes Hartsell

Re: Corrective Action Plan

Finding 2021-1

Name of Contact Person: Scott Howard, Town Administrator

Corrective Action Plan: Appropriate policies and procedures will be put into operation over the year-end closing process. Additionally, the Town will seek outside sources of accounting expertise to assist us with implementing the policies and procedures and training and oversight of financial staff.

Proposed Completion Date: Immediately

Finding 2021-2

Name of Contact Person: Scott Howard, Town Administrator

Corrective Action Plan: The Town will continually keep in mind that internal controls are limited due to the size of the Town's staff and monitor accordingly and the Town is soliciting external CPA firms to perform the Town's accounting and financial reporting services

Proposed Completion Date: Immediately

Finding 2021-3

Name of Contact Person: Scott Howard, Town Administrator

Corrective Action Plan: Management and the board will more closely review the budget reports to ensure compliance in future years

Proposed Completion Date: Immediately

**Town of Norwood, North Carolina
Prior Year Findings
For the Fiscal Year Ended June 30, 2021**

Finding: 2020 – 1

Status: Similar comment found in current year. See Finding 2021-2

Finding: 2020 – 2

Status: Corrected

Finding: 2020 – 3

Status: Similar comment found in current year. See Finding 2021-3