



Town of Oak Ridge, North Carolina

Financial Statements

Year Ended June 30, 2021

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Town of Oak Ridge, North Carolina

List of Principal Officials

Mayor

Ann Schneider

Council Members

Jim Kinneman

George McClellan

Doug Nodine

Martha Pittman

Officials

Ann Schneider.....	Mayor
Jim Kinneman	Mayor Pro-Tem
Bill Bruce, AICP.....	Town Manager
Samuel K. Anders, CPA, MSA.....	Finance Officer
Sean Taylor	Planning Director
Terry Lannon	Parks and Recreation Director
J. Michael Thomas	Town Attorney
Sandra Smith.....	Town Clerk

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Independent Auditors' Report

Honorable Mayor and Members of the Town Council
Town of Oak Ridge
Oak Ridge, NC

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Oak Ridge, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining aggregate fund information of the Town of Oak Ridge as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 3 through 10, and 36 and 37, respectively, 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 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 Oak Ridge, North Carolina. The individual fund statement, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Dixon Hughes Goodman LLP

High Point, NC
October 29, 2021

Management's Discussion and Analysis

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

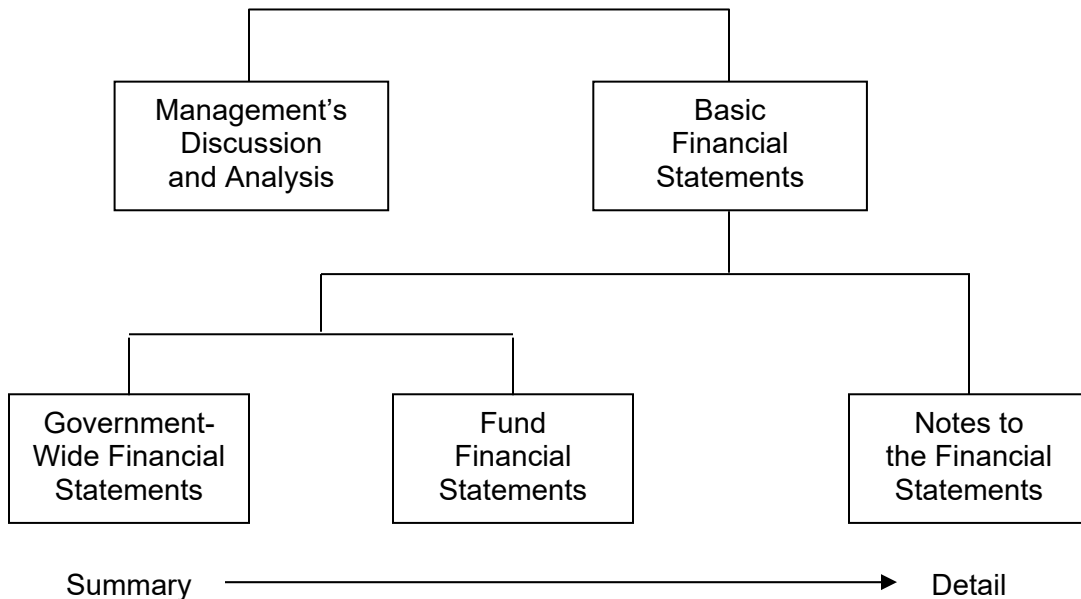
Financial Highlights

- The assets and deferred outflows of resources of the Town of Oak Ridge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,658,933 (net position).
- The government's total net position increased by \$242,408. This result was primarily due to an increase in revenues from unrestricted intergovernmental sources as well as increased property tax collections on an increased tax base over the prior year. Both increases were unexpected as the anticipated decreases based on expected effects of Covid-19 never materialized.
- As of the close of the current fiscal year, the Town of Oak Ridge's governmental fund reported a fund balance of \$3,997,395, an increase of \$237,157 in comparison with the prior year. Current year operating expenditures were higher than the prior year because of Covid-19 as well as some inflationary increases. A capital project for sidewalks and trail connectivity was deferred to FY 2021-2022 due to NCDOT easement and design delays. These expense decreases coupled with unexpected increases in revenues resulted in the increase in fund balance.
- The Town maintained its tax rate to 8.00 cents per hundred-dollar tax valuation.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Town of Oak Ridge's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Oak Ridge.

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 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison statements.

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

Government-wide financial statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are comprised of governmental activities. The governmental activities include most of the Town's basic services, such as cultural and recreational, and general administration. Property taxes, charges for services, and unrestricted intergovernmental revenues finance most of these activities.

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

Fund financial statements

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

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

The Town of Oak Ridge 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 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.

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 are on pages 21 through 34 of this report.

Government-Wide Financial Analysis
The Town of Oak Ridge's Net Position
Figure 2

	Governmental Activities		Total	
	2021	2020	2021	2020
Current and other assets	\$ 4,074,183	\$ 3,818,889	\$ 4,074,183	\$ 3,818,889
Capital assets	8,071,082	8,235,642	8,071,082	8,235,642
Deferred outflows of resources	<u>116,322</u>	<u>95,193</u>	<u>116,322</u>	<u>95,193</u>
Total assets and deferred outflows of resources	<u>12,261,587</u>	<u>12,149,724</u>	<u>12,261,587</u>	<u>12,149,724</u>
Long-term liabilities outstanding	1,458,249	1,594,298	1,458,249	1,594,298
Other liabilities	139,890	131,736	139,890	131,736
Deferred inflows of resources	<u>4,515</u>	<u>7,165</u>	<u>4,515</u>	<u>7,165</u>
Total liabilities and deferred inflows of resources	<u>1,602,654</u>	<u>1,733,199</u>	<u>1,602,654</u>	<u>1,733,199</u>
Net position:				
Net investment in capital assets	6,811,082	6,795,642	6,811,082	6,795,642
Restricted	222,823	200,071	222,823	200,071
Unrestricted	<u>3,625,028</u>	<u>3,420,812</u>	<u>3,625,028</u>	<u>3,420,812</u>
Total net position	<u>\$ 10,658,933</u>	<u>\$ 10,416,525</u>	<u>\$ 10,658,933</u>	<u>\$ 10,416,525</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Oak Ridge exceeded liabilities and deferred inflows by \$10,658,933 as of June 30, 2021. The Town's net position increased by \$242,408 for the fiscal year ended June 30, 2021. The largest portion of net position (63.9%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery and equipment). The Town of Oak Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oak Ridge's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay the 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 Oak Ridge's net position, \$222,823, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,625,028 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position: (1) the Town levied the minimum property tax for the 2020-2021 fiscal year that was projected to be sufficient to cover budgeted expenditures and was applied to an increased tax base; (2) the Town received increased intergovernmental tax revenues; and (3) expenditures, while higher than in the prior year due to increased expenses, were lower than budgeted due to a capital improvement being delayed for easement and design issues with the NCDOT. These reduced expenditures in conjunction with the increases above resulted in overall net position increasing.

The Town of Oak Ridge Changes in Net Position
Figure 3

	Governmental Activities		Total	
	2021	2020	2021	2020
Revenues:				
Program revenues:				
Charges for services	\$ 47,367	\$ 37,848	\$ 47,367	\$ 37,848
Operating grants and contributions	26,285	7,924	26,285	7,924
Capital grants and contributions	2,478	15,535	2,478	15,535
General revenues:				
Property taxes	897,132	840,000	897,132	840,000
Other taxes	-	10,530	-	10,530
Grants and contributions not restricted to specific programs	849,385	778,752	849,385	778,752
Other	20,330	35,796	20,330	35,796
Total revenues	<u>1,842,977</u>	<u>1,726,385</u>	<u>1,842,977</u>	<u>1,726,385</u>
Expenses:				
General government	832,111	786,137	832,111	786,137
Cultural and recreational	768,458	741,959	768,458	741,959
Total expenses	<u>1,600,569</u>	<u>1,528,096</u>	<u>1,600,569</u>	<u>1,528,096</u>
Increase in net position	242,408	198,289	242,408	198,289
Net position, July 1	<u>10,416,525</u>	<u>10,218,236</u>	<u>10,416,525</u>	<u>10,218,236</u>
Net position, June 30	<u>\$ 10,658,933</u>	<u>\$ 10,416,525</u>	<u>\$ 10,658,933</u>	<u>\$ 10,416,525</u>

Governmental activities. Governmental activities increased the Town's net position by \$242,408, thereby accounting for the total increase in the net position of the Town of Oak Ridge. Key elements of this increase are as follows:

- Tax revenues increased due to the Town receiving increased intergovernmental revenues based on population as well as property taxes levied on an increased tax base.
- Town expenditures were less than budgeted for 2020-2021.

Financial analysis of the Town's funds

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

Governmental funds. The focus of the Town of Oak Ridge'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 Oak Ridge's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Oak Ridge. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,386,565, while total fund balance reached \$3,997,395. The Town currently has an available fund balance of 234% of total General Fund expenditures.

At June 30, 2021, the governmental fund of the Town of Oak Ridge reported a combined fund balance of \$3,997,395, with an increase of \$237,157.

General Fund budgetary highlights. During the fiscal year, the Town 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.

General government expenditures were amended for adjustments to previous budgeted amounts as actual performance differed from the performance estimates used in budget preparation. Other amendments were needed for capital projects involving sidewalks, Bandera Farms acquisition, equipment improvements and additions to operate the increased park footprint.

Revenues were more than the budgeted amounts primarily because of increased income from continued small increases in the property tax base and better than forecasted franchise and sales tax collections. Revenues exceeded budgeted amounts due to the forecasted drop in revenues due to the economic impact of Covid-19 not materializing. Planning, zoning, and inspection fee income from new construction increased this fiscal year due to excess inventory of prior approved buildable lots decreasing below demand and the economic effects of COVID-19 sharply declining. Expenditures were under the approved budget due to budgeted operating expenditures being less than budgeted amounts due to continued tightening of operational expenditures and a delay in a capital improvement that was expected in the fiscal year.

Capital asset and debt administration

Capital assets. The Town of Oak Ridge's investment in capital assets for its governmental activities as of June 30, 2021, totals \$8,071,082 (net of accumulated depreciation). These assets include land, land improvements, buildings, and machinery and equipment.

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

- Acquisition of Bandera Farms as part of a joint park and trail venture with other governmental entities in the amount \$41,250.
- Asbestos removal from a historical structure owned by the Town in the amount of \$15,366.
- Replacement equipment for the park in the amount of \$11,422.
- Pond Drainage repair at the existing park in the amount of \$10,480.

**The Town of Oak Ridge's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Total	
	2021	2020	2021	2020
Land and other non-depreciable assets	\$ 3,883,985	\$ 3,830,993	\$ 3,883,985	\$ 3,830,993
Land improvements	2,502,703	2,628,319	2,502,703	2,628,319
Buildings and improvements	1,327,334	1,379,322	1,327,334	1,379,322
Computer, equipment, and software	32,631	33,301	32,631	33,301
Furniture, fixtures, equipment and vehicles	324,429	363,707	324,429	363,707
Total	\$ 8,071,082	\$ 8,235,642	\$ 8,071,082	\$ 8,235,642

Additional information on the Town of Oak Ridge's capital assets can be found in Note 2.A.4 of the Basic Financial Statements.

Long-term debt. The Town of Oak Ridge's total debt decreased by \$180,000 (12.5%) during the current fiscal year. This decrease was due to the principal payment of \$180,000 on the Town's direct installment purchase agreement related to the purchase of the Whitaker property for the Town park. The original purchase price was \$1,800,000 during the year ended June 30, 2020. At closing, a down payment of \$180,000 was tendered with the remaining principal balance of \$1,620,000 due as follows: Nine annual installments of \$180,000 together with accrued interest at a rate of 6%, beginning July 16, 2019 and continuing annually thereafter until paid in full.

Additional information regarding the Town of Oak Ridge's long-term debt can be found in Note 2.B.4 beginning on page 31.

Economic factors and next year's budgets and rates

Budgets and rates for 2021-2022 were held essentially the same. This was due to the economic environment not being affected as negatively as expected by the effects of Covid-19 coupled with federal economic stimulus programs that the Town qualified for. Revenues have historically been driven by property tax increases based on new residential and some new commercial construction entering the tax base. In past fiscal years, these increases were at a rate which was sufficient to cover increased cost caused by increased demands for Town services. 2017-2018 was the first fiscal year where a reduced property tax rate reduced property tax collections below the prior year's collections. 2018-2019 growth in the property tax base was sufficient to cause a 3% growth in collections over 2017-2018 reversing the prior year's downward trend. 2019-2020 growth in the property tax base was sufficient to cause a 2% growth in collections continuing the growth trend. Increased intergovernmental tax collections coupled with increased property tax revenues added to the net increase in revenues. New construction previously approved entered the tax base in 2020-2021 as well as additional new construction based on increased demand. This unexpected increase in demand bolstered the tax base. The expectation of future increases is based on the large number of planning and zoning approvals made during 2020-2021 that are breaking ground now after supply chain delays. Given these facts, the Town maintained the \$0.0800 tax rate for a fifth year. In order to hold the property tax rate while funding increased demands for services and capital projects, the Town has endeavored to continue to hold down expenditures for operations as much as prudently possible while seeking grants for some capital projects and planning the use of CARES and ARPA funding from the federal government.

Budget highlights for the fiscal year ending June 30, 2022

Governmental activities: The Town budget for the 2021-2022 fiscal year was based on the best information from the North Carolina State Treasurer's office and the Guilford County Tax Department to quantify the effects of the COVID-19 pandemic on future economic activity as the economy recovers and reopens. Increases in property taxes are forecasted due to increased demand for the completion of property and unexpectedly stronger tax collections continuing. The data indicates the potential for a large increase in tax collections as well as large charitable donations for the construction of a veteran's memorial. The Town is expecting a 22.6% increase in budgeted revenue as compared to fiscal year 2020-2021. Despite the expected increase in revenues, the Town will continue to limit operational expenditures prudently, investigate ways of increasing investment returns, and fund capital expenditures from fund balance as well as financing with loans at preferred governmental interest rates.

Budgeted expenditures in the General Fund are expected to increase 0.1% from the modified fiscal year 2020-2021 budget to \$2,626,160. Appropriation from Fund Balance in the adopted 2021-2022 budget is expected to be \$712,623. The 2021-2022 budget is expected to be amended, reflecting a decision from Town Council to move forward with construction of Heritage Farm Park despite an opinion of probable cost that exceeded earlier estimates. Council also determined that concentrating development initially scheduled for three years into one year would lead to operational and cost efficiencies. This decision will be contingent on a competitive financing bid process and a competitive construction bid process.

Requests for Information

This report is designed to provide an overview of the Town of Oak Ridge's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Samuel K. Anders, CPA, MSA, c/o Town of Oak Ridge, Post Office Box 374, Oak Ridge, North Carolina 27310, or by telephone at 336.643.7577, or by e-mail at sam@samanderscpa.com.

Basic Financial Statements

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Town of Oak Ridge, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 3,828,267
Receivables:	
Taxes receivable, net	8,136
Accrued interest receivable, property taxes	2,052
Accounts receivable	226
Due from other governments	220,337
Restricted cash	15,165
Total current assets	<u>4,074,183</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	3,883,985
Other capital assets, net of depreciation	4,187,097
Total noncurrent assets	<u>8,071,082</u>
Total assets	<u>12,145,265</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>116,322</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	53,695
Accrued interest payable	73,290
Current portion of long-term liabilities	202,436
Payable from restricted assets - performance bond deposits	12,905
	<u>342,326</u>
Noncurrent liabilities:	
Net pension liability	175,813
Due in more than one year	1,080,000
Total liabilities	<u>1,598,139</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>4,515</u>
NET POSITION	
Net investment in capital assets	6,811,082
Restricted for:	
Stabilization by state statute	220,563
Dog park	2,260
Unrestricted	3,625,028
Total net position	<u><u>\$ 10,658,933</u></u>

Town of Oak Ridge, North Carolina
Statement of Activities
Year End June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 832,111	\$ 25,989	\$ 26,285	\$ 2,478	\$ (777,359)
Cultural and recreational	768,458	21,378	-	-	(747,080)
Total governmental activities	<u>\$ 1,600,569</u>	<u>\$ 47,367</u>	<u>\$ 26,285</u>	<u>\$ 2,478</u>	<u>(1,524,439)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					897,132
Unrestricted intergovernmental					849,385
Investment earnings, unrestricted					20,330
Total general revenues					<u>1,766,847</u>
Change in net position					242,408
Net position, beginning					<u>10,416,525</u>
Net position, end of year					<u>\$ 10,658,933</u>

See accompanying notes.

Town of Oak Ridge, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

Exhibit 3
(2 pages)

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 3,828,267	\$ 3,828,267
Restricted cash	15,165	15,165
Taxes receivable, net	8,136	8,136
Accounts receivable	226	226
Due from other governments	220,337	220,337
	<u>220,337</u>	<u>220,337</u>
Total assets	<u>\$ 4,072,131</u>	<u>\$ 4,072,131</u>
LIABILITIES		
Accounts payable	\$ 38,649	\$ 38,649
Accrued liabilities	15,046	15,046
Payable from restricted assets - performance bond deposits	12,905	12,905
	<u>66,600</u>	<u>66,600</u>
Total liabilities	<u>66,600</u>	<u>66,600</u>
DEFERRED INFLOWS OF RESOURCES		
Ad valorem taxes receivable	8,136	8,136
	<u>8,136</u>	<u>8,136</u>
Total deferred inflows of resources	<u>8,136</u>	<u>8,136</u>
FUND BALANCE		
Restricted for:		
Stabilization by state statute	220,563	220,563
Dog Park	2,260	2,260
Committed:		
Capital projects	1,675,384	1,675,384
Assigned:		
Subsequent year's expenditures	712,623	712,623
Unassigned	1,386,565	1,386,565
	<u>3,997,395</u>	<u>3,997,395</u>
Total fund balance	<u>3,997,395</u>	<u>3,997,395</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,072,131</u>	<u>\$ 4,072,131</u>

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

Total fund balance, governmental funds	\$ 3,997,395
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	8,071,082
Deferred outflows of resources related to pensions are not reported in the funds	116,322
Liabilities for earned revenues considered deferred inflows of resources in fund statements	8,136
Accrued interest receivable from property taxes is not available to pay for current-period expenditures and therefore are deferred in the funds	2,052
Deferred inflows of resources related to pensions are not reported in the funds	(4,515)
Some liabilities, including debt and compensated absences are not due and payable in the current period and therefore are not reported in the funds	(1,282,436)
Net pension liability	(175,813)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(73,290)
Net position of governmental activities	<u><u>\$ 10,658,933</u></u>

Town of Oak Ridge, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year End June 30, 2021

Exhibit 4
(2 pages)

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Fund</u>
Revenues		
Ad valorem taxes	\$ 897,859	\$ 897,859
Unrestricted intergovernmental	849,385	849,385
Restricted intergovernmental	26,285	26,285
Permits and fees	47,040	47,040
Investment earnings	20,330	20,330
Miscellaneous	2,805	2,805
	<u>1,843,704</u>	<u>1,843,704</u>
Total revenues		
	<u>1,843,704</u>	<u>1,843,704</u>
Expenditures		
General government	729,881	729,881
Cultural and recreational	613,766	613,766
Debt service:		-
Principal	180,000	180,000
Interest and other charges	86,400	86,400
	<u>1,610,047</u>	<u>1,610,047</u>
Total expenditures		
	<u>1,610,047</u>	<u>1,610,047</u>
Revenues over expenditures		
	<u>233,657</u>	<u>233,657</u>
Other financing sources:		
Sales of capital assets	3,500	3,500
	<u>3,500</u>	<u>3,500</u>
Total other financing sources		
	<u>3,500</u>	<u>3,500</u>
Net change in fund balance	237,157	237,157
Fund balance, beginning of year	3,760,238	3,760,238
	<u>3,760,238</u>	<u>3,760,238</u>
Fund balance, end of year	<u>\$ 3,997,395</u>	<u>\$ 3,997,395</u>

Town of Oak Ridge, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year End June 30, 2021

Exhibit 4
(2 pages)

**Reconciliation of the governmental funds statement of
revenues, expenditures and changes in fund balance
to the statement of activities:**

Total net change in fund balance - governmental funds	\$	237,157
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays (\$137,050) 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 were less than depreciation (\$264,235) in the current period.		(127,185)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.		43,167
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue for tax revenues		(1,026)
Change in accrued interest receivable, property taxes		299
Proceeds from the sale of capital assets		(3,500)
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 and, therefore are not reported as expenditures in governmental funds:		
Principal payments on long-term debt		180,000
Decrease in accrued interest payable		10,710
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:		
Pension expense		(62,478)
Compensated absences		(861)
Loss on disposal of capital assets		(33,875)
Changes in net position of governmental activities	\$	<u>242,408</u>

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year End June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 811,342	\$ 811,342	\$ 897,859	\$ 86,517
Other taxes and licenses	10,000	10,000	-	(10,000)
Unrestricted intergovernmental	657,700	657,700	849,385	191,685
Restricted intergovernmental	-	-	26,285	26,285
Permits and fees	47,000	47,000	47,040	40
Investment earnings	25,000	25,000	20,330	(4,670)
Miscellaneous	9,910	9,910	2,805	(7,105)
Total revenues	<u>1,560,952</u>	<u>1,560,952</u>	<u>1,843,704</u>	<u>282,752</u>
Expenditures				
General government	765,422	814,826	729,881	84,945
Cultural and recreation	1,436,175	1,542,347	613,766	928,581
Debt service	266,400	266,400	266,400	-
Total expenditures	<u>2,467,997</u>	<u>2,623,573</u>	<u>1,610,047</u>	<u>1,013,526</u>
Revenues over (under) expenditures	(907,045)	(1,062,621)	233,657	1,296,278
Other financing sources				
Sales of capital assets	-	-	3,500	3,500
Total expenditures	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Appropriation from fund balance	<u>907,045</u>	<u>1,062,621</u>	-	<u>(1,062,621)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	237,157	<u>\$ 237,157</u>
Fund balance, beginning of year			<u>3,760,238</u>	
Fund balance, end of year			<u>\$ 3,997,395</u>	

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Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting entity

The Town of Oak Ridge is an incorporated town which is governed by a five-member town council. A mayor is elected by the members of the Town Council. For financial reporting purposes, the Town of Oak Ridge includes all funds, agencies, boards, commissions, and authorities which are controlled by or are financially dependent upon the Town.

B. Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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 schedules provide information about the Town's funds.

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government and cultural and recreational services.

C. Measurement focus and basis of accounting

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

Government-wide financial statements. The government-wide financial statements are reported using the economic resources measurement focus and 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.

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 installment purchase agreements 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 are billed in periods prior to September 1, 2014 and for limited registration plates are shown as a receivable in these financial statements, and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Generally, intergovernmental revenues and sales and services are not susceptible to accrual because they are not measurable until received in cash. Grant revenues which are unearned at year end are recorded as unearned revenues.

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for all revisions and must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity

(1) Deposits

All deposits of the Town are made in Board-designated official depositories and are secured as required by state law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings and loan 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.

(2) Restricted cash

Cash that represents donations that are restricted by donors for improvements to the dog park, as well as cash received for payments in lieu of obtaining performance bonds for ongoing construction projects which are held by the Town until satisfactory completion of the related obligations.

(3) 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 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

(4) Allowance for doubtful accounts

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

(5) Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

	<u>Cost</u>
Land	\$ 100
Land improvements	500
Buildings and improvements	500
Vehicles, furniture and equipment	500

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at time of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Useful Life</u>
Land improvements	7 to 40 years
Buildings and improvements	15 to 40 years
Computer equipment and software	3 to 5 years
Furniture, fixtures, equipment and vehicles	5 to 7 years

(6) Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial 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's contributions made to the pension plan in the 2021 fiscal year meet this criterion. In addition to liabilities, the statement of net 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 the following items that meet the criterion for this category - ad valorem taxes receivable and pension deferrals.

(7) Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In fund financial statements, the face amount of debt issued is reported as other financing sources.

(8) Compensated absences

The vacation policy of the Town provides for the accumulation of up to one year's earned vacation leave with such leave being fully vested when earned. The only exception to the terms of this vacation policy will be in the instance of the Town Council hiring an employee under an employment contract. In such an instance, the terms of the contract as negotiated and agreed to will govern the contracted employee's vacation leave. For the Town's government-wide activities, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

(9) Net position/fund balances

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

Fund balances

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

The governmental fund types classify fund balances as follows:

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

Restricted fund balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for stabilization by state statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for dog park - portion of fund balance that is restricted by donors for improvements to the dog park.

Committed fund balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Oak Ridge'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.

Committed for capital projects - portion of fund balance that is set aside by the Board for capital projects.

Assigned fund balance - portion of fund balance that the Town of Oak Ridge intends to use for specific purposes.

Assigned for subsequent year's expenditures - Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes.

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

(10) Pensions

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

2. Detail Notes on All Funds

A. Assets

(1) Deposits

All 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

Town of Oak Ridge, North Carolina
Notes to Financial Statements

held by the Town's agent in the Town'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 agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, 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 \$3,843,332 and a bank balance of \$3,884,243. Of the bank balance, \$2,927,339 was covered by federal depository insurance. The Town had \$100 of petty cash on hand at June 30, 2021.

(2) Receivables - allowance for doubtful accounts

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2021 are net of the following allowance for doubtful accounts, which is based on historical percentages of receivables not expected to be collected:

General Fund:	
Taxes receivable	\$ <u>3,428</u>

(3) Due from other governments

Amounts due from other governments at June 30, 2021 consist of the following:

	<u>Other</u>	<u>State</u>	<u>Total</u>
General Fund:			
ABC distribution	\$ 49,863	\$ -	\$ 49,863
Sales tax refund	-	5,687	5,687
Property taxes	12,606	-	12,606
Utilities franchise, piped natural gas and telecommunication taxes	-	69,866	69,866
Local option sales tax	<u>-</u>	<u>82,315</u>	<u>82,315</u>
Total General Fund	<u>\$ 62,469</u>	<u>\$ 157,868</u>	<u>\$ 220,337</u>

Town of Oak Ridge, North Carolina
Notes to Financial Statements

(4) Capital assets

Capital asset activity 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 and other non-depreciable assets	\$ 3,830,993	\$ 90,367	\$ (37,375)	\$ 3,883,985
Total capital assets not being depreciated	<u>3,830,993</u>	<u>\$ 90,367</u>	<u>\$ (37,375)</u>	<u>3,883,985</u>
Capital assets being depreciated:				
Land improvements	3,488,770	\$ 10,480	\$ -	3,499,250
Buildings and improvements	2,176,262	15,366	-	2,191,628
Computer equipment and software	77,189	8,215	-	85,404
Furniture, fixtures, equipment and vehicles	<u>914,113</u>	<u>12,622</u>	<u>(14,520)</u>	<u>912,215</u>
Total capital assets being depreciated	<u>6,656,334</u>	<u>\$ 46,683</u>	<u>\$ (14,520)</u>	<u>6,688,497</u>
Less accumulated depreciation for:				
Land improvements	860,451	\$ 136,096	\$ -	996,547
Buildings and improvements	796,940	67,354	-	864,294
Computer equipment and software	43,888	8,885	-	52,773
Furniture, fixtures, equipment and vehicles	<u>550,406</u>	<u>51,900</u>	<u>(14,520)</u>	<u>587,786</u>
Total accumulated depreciation	<u>2,251,685</u>	<u>\$ 264,235</u>	<u>\$ (14,520)</u>	<u>2,501,400</u>
Total capital assets being depreciated, net	<u>4,404,649</u>			<u>4,187,097</u>
Governmental activity capital assets, net	<u>\$ 8,235,642</u>			<u>\$ 8,071,082</u>

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

General government	\$ 65,050
Parks and recreation	<u>199,185</u>
	<u>\$ 264,235</u>

B. Liabilities and deferred outflows/inflows of resources

(1) Pension plan obligations

(a) **Local Government Employees' Retirement System**

Plan description. The Town of Oak Ridge is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the 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 (ACFR) for the state of North

Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or 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. 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 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$43,167 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 \$175,813 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, the Town's proportion was 0.00492%, which was a slight increase of 0.00486% from its proportion measured as of June 30, 2019.

Town of Oak Ridge, North Carolina
Notes to Financial Statements

For the year ended June 30, 2021, the Town recognized pension expense of \$62,478. 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	\$ 22,202	\$ -
Changes of assumptions	13,084	-
Net difference between projected and actual earnings on pension plan investments	24,741	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,128	4,515
Town contributions subsequent to the measurement date	<u>43,167</u>	<u>-</u>
Total	<u>\$ 116,322</u>	<u>\$ 4,515</u>

\$43,167 of the amount reported as deferred outflows of resources related to Town contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2022	\$ 18,660
2023	25,048
2024	17,610
2025	7,322
2026	-
Thereafter	-

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

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

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

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

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

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.

Town of Oak Ridge, North Carolina
Notes to Financial Statements

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

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

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

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

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Town's proportionate share of the net pension liability	\$ 356,705	\$ 175,813	\$ 25,479

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 (ACFR) for the State of North Carolina.

(2) Deferred outflows and inflows of resources

The Town has deferred outflows of resources, which are comprised of \$43,167 of current-year LGERS pension contributions and \$73,155 of pension deferrals.

The Town has deferred inflows of resources, which are comprised of pension deferrals of \$4,515.

Deferred inflows of resources for the General Fund at June 30, 2021, consists of unavailable revenues arising from property tax receivables of \$8,136.

(3) Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million and \$1 million per occurrence, respectively, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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 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 flood insurance through the Interlocal Risk Financing Fund of North Carolina. The Town has coverage of \$5,000,000 for a single occurrence and a \$5,000,000 annual aggregate limit.

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance-bonded through a commercial surety bond. The finance officer is bonded for \$50,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

(4) Long-term obligations

(a) Direct borrowing installment purchase agreement - land - General Fund

The Town has a direct borrowing installment purchase agreement for land. The installment purchase note payable at June 30, 2021, is as follows:

Effective July 16, 2018, the Town purchased approximately 53.8 acres of land to be used for future expansion of the town park, known as the Whitaker property. The agreed upon purchase price of the land was \$1,800,000, and the majority of the purchase was financed through a promissory note to the seller, Frank Whitaker, in the amount of \$1,620,000. The note is secured by a first lien security interest in the property. In accordance with the promissory note, the Town shall pay nine annual installments of \$180,000 together with accrued interest at a rate of 6%, beginning July 16, 2019 and continuing annually thereafter until paid in full. The note may not be prepaid in full or in part at any time without the prior written consent of the seller. At the date of sale, the land purchased was being leased by the family of the Town's Finance Director, Samuel K. Anders, for farming purposes. As a condition to the

Town of Oak Ridge, North Carolina
Notes to Financial Statements

purchases and sale agreement with the seller, the Town must continue leasing the land to Samuel K. Anders and family until such time as the land is needed for expansion of the park (see Note 3).

Annual debt service payments of the installment purchase for fiscal years subsequent to June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 180,000	\$ 75,600
2023	180,000	64,800
2024	180,000	54,000
2025	180,000	43,200
2026	180,000	32,400
2027 - 2028	<u>360,000</u>	<u>32,400</u>
Total	<u>\$ 1,260,000</u>	<u>\$ 302,400</u>

(b) Changes in long-term liabilities

During the year ended June 30, 2021, the following changes occurred in long-term obligations:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Compensated absences	\$ 21,575	\$ 25,702	\$ 24,841	\$ 22,436	\$ 22,436
Net pension liability (LGRS)	132,723	43,090	-	175,813	-
Installment purchases	<u>1,440,000</u>	<u>-</u>	<u>180,000</u>	<u>1,260,000</u>	<u>180,000</u>
Total	<u>\$ 1,594,298</u>	<u>\$ 68,792</u>	<u>\$ 204,841</u>	<u>\$ 1,458,249</u>	<u>\$ 202,436</u>

Compensated absences have typically been liquidated in the General Fund.

(5) Long-term contract

The Town has a contract to lease a portion of the Town Park Maintenance Building, athletic fields, a paved parking lot, and all other athletic support amenities at the Town Park to the Oak Ridge Youth Association, Inc. ("ORYA"). The lease term was for a period of ten years beginning in 2011. Effective July 1, 2020, the terms of the lease with the Oak Ridge Youth Association were renegotiated. In accordance with the new lease agreement, the Town continued to lease athletic fields and related facilities at the Town Park to the ORYA for the period from July 1, 2020 through December 31, 2020. The Town will subsidize the ORYA annually through in-kind support in the amount of up to \$30,000, in the form of credits against usage fees or like non-monetary support. Cash payments will be required for any cumulative fees in excess of the \$30,000 credit. The ORYA may renew the agreement annually by providing written request for renewal not less than 90 days prior to the expiration of the agreement each year, along with providing financial statements covering the prior year of the agreement, a statement of achievements in relation to its goals set for the immediate past term of the agreement, and a statement of ORYA's goals for the upcoming year, and how they are proposed to be accomplished. In December 2020, the agreement with ORYA was renewed through December 31, 2021. Cumulative fee revenue in excess of the \$30,000 credit amounted to \$226 for the year ended June 30, 2021, all of which is included in accounts receivable at June 30, 2021.

C. Fund balance

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

Total fund balance, General Fund	\$ 3,997,395
Less:	
Stabilization by state statute	220,563
Dog park	2,260
Capital projects	1,675,384
Appropriated fund balance in 2022 budget	<u>712,623</u>
Remaining fund balance, General Fund	<u>\$ 1,386,565</u>

3. Related-Party Transactions

In accordance with the terms of the loan agreement (see Note 2.B.4), effective July 16, 2018, the Town entered into a lease agreement with Samuel K. Anders and family. Under the terms of the lease agreement, the lessee may use the land for farming operations and hunting. The lessee must maintain the farm roads and maintain the look of the farm by keeping all of the open land in cultivation and by keeping all field edges, roads, and unused land mowed, and provide security by posting signs to discourage unauthorized trespassing, dumping and hunting, and shall check the property on regular and irregular schedules to discourage any illegal third-party activity thereon. The term of the lease is for one year at a rate of \$1 annually, and automatically renews for one-year terms annually thereafter on July 15th. Either party may terminate the lease at any time, subject to providing written notice upon no less than 30 days' notice prior to the effective date of the termination.

4. Jointly Governed Organization

The Town, along with six other municipalities and Forsyth County, is a participating member of the Triad Municipal ABC Board. This organization was established under North Carolina Alcoholic Beverage laws to operate liquor stores. The Town of Oak Ridge appoints one member to a nine-member governing board. The Town also receives a portion of the income distributed by the Board. This distribution amounted to \$205,063 during the fiscal year ended June 30, 2021.

5. Subsequent Events

Effective July 5, 2021, the Town entered into a contract for construction of the North Carolina Mountains-To-Sea Trail along Pepper Road and Haw River Road, in the total amount of approximately \$298,000. Management anticipates that the construction will be completed during fiscal year 2022.

In accordance with funding provided by the American Rescue Plan Act of 2021, effective August 4, 2021, the Town agreed to its terms for receiving an allocation of funds from the U.S. Department of Treasury, through the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund. The Town's total estimated grant award is \$1,656,102, which is to be provided in two equal disbursements of \$828,051. The first disbursement was received on August 19, 2021, while the second disbursement is to be received in 2022. The Town will have until December 31, 2024 to use or encumber the funds, and if encumbered, has until December 31, 2026 to finish any associated work. The Town intends to use the funds for a municipal water system.

Required Supplementary Financial Data

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Oak Ridge, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Eight Fiscal Years*

Exhibit A-1

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Oak Ridge's proportion of the net pension liability (asset) (%)	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%	0.00%	0.00%
Oak Ridge's proportion of the net pension liability (asset) (\$)	\$ 175,813	\$ 132,723	\$ 83,032	\$ 79,289	\$ 122,883	\$ 23,786	\$ (23,943)	\$ 47,010
Oak Ridge's covered-employee payroll	\$ 384,570	\$ 365,453	\$ 305,907	\$ 336,055	\$ 341,124	\$ 335,912	\$ 239,364	\$ 222,563
Oak Ridge's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.72%	36.32%	27.14%	23.59%	36.02%	7.08%	-10.00%	21.12%
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.

Town of Oak Ridge, North Carolina
Schedule of Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Eight Fiscal Years

Exhibit A-2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 43,167	\$ 34,419	\$ 27,409	\$ 22,943	\$ 24,364	\$ 22,753	\$ 23,749	\$ 16,923
Contributions in relation to the contractually required contribution	<u>43,167</u>	<u>34,419</u>	<u>27,409</u>	<u>22,943</u>	<u>24,364</u>	<u>22,753</u>	<u>23,749</u>	<u>16,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Oak Ridge's covered-employee payroll	\$ 425,293	\$ 384,570	\$ 365,453	\$ 305,907	\$ 336,055	\$ 341,124	\$ 335,912	\$ 239,364
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.50%	7.50%	7.25%	6.67%	7.07%	7.07%

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Individual Fund Schedules

Town of Oak Ridge, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year End June 30, 2021

Schedule 1
(3 pages)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes	<u>\$ 811,342</u>	<u>\$ 897,859</u>	<u>\$ 86,517</u>
Other taxes and licenses:			
Cable franchise fees	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Unrestricted intergovernmental:			
Local option sales tax		308,314	
Utilities franchise tax		204,257	
Piped natural gas		19,730	
Telecommunication tax		14,388	
Local video programming		59,952	
Local ABC revenues		205,063	
Solid waste disposal tax		5,726	
Beer and wine excise tax		31,955	
Total	<u>657,700</u>	<u>849,385</u>	<u>191,685</u>
Restricted intergovernmental:			
CARES Act grant revenue		26,285	
Total	<u>-</u>	<u>26,285</u>	<u>26,285</u>
Permits and fees:			
Inspection fee income	20,000	25,888	5,888
Park fees	<u>27,000</u>	<u>21,152</u>	<u>(5,848)</u>
Total	<u>47,000</u>	<u>47,040</u>	<u>40</u>
Investment earnings	<u>25,000</u>	<u>20,330</u>	<u>(4,670)</u>
Miscellaneous:			
Historic preservation committee donations	3,000	447	
Other	<u>6,910</u>	<u>2,358</u>	
Total	<u>9,910</u>	<u>2,805</u>	<u>(7,105)</u>
Total revenues	<u>1,560,952</u>	<u>1,843,704</u>	<u>282,752</u>

Town of Oak Ridge, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year End June 30, 2021

Schedule 1
(3 pages)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government:			
Advertising		\$ 5,353	
Direct deposit fees		1,469	
Dues and subscriptions		32,861	
Education		1,712	
Equipment lease		5,673	
Historical committee		15,155	
Insurance - life		1,268	
Insurance - disability		947	
Insurance - health		71,040	
Insurance - liability		6,824	
Insurance - workers compensation		1,915	
Wages		249,241	
Miscellaneous expense		3,950	
Mileage reimbursement		1,600	
MST committee		889	
Office supplies		6,187	
Postage and delivery		666	
Professional fees		218,719	
Property maintenance		7,082	
Retirement contributions		30,854	
Security monitoring		225	
Taxes - Medicare		3,381	
Taxes - social security		14,338	
Taxes - unemployment		134	
Telephone		5,830	
Town Hall		7,732	
Travel and entertainment		12	
Utilities - electricity		14,865	
Utilities - web hosting fees		5,745	
Special events		6,000	
Capital outlay		8,214	
Total general government	<u>\$ 814,826</u>	<u>729,881</u>	<u>\$ 84,945</u>

Town of Oak Ridge, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year End June 30, 2021

Schedule 1
(3 pages)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreation:			
Contributions to other agencies		\$ 9,637	
Wages		215,570	
Retirement contributions		23,972	
Insurance - life		1,133	
Insurance - disability		1,036	
Insurance - health		50,428	
Insurance - liability		5,985	
Insurance - workers compensation		4,682	
Operations and maintenance		147,500	
Taxes - Medicare		3,128	
Taxes - social security		13,320	
Taxes - unemployment		151	
Special events		8,388	
Capital outlay		128,836	
	<u></u>	<u></u>	<u></u>
Total cultural and recreation	\$ 1,542,347	613,766	\$ 928,581
Debt service:			
Principal retirement		\$ 180,000	
Interest and other charges		86,400	
	<u></u>	<u></u>	<u></u>
Total debt service	\$ 266,400	266,400	\$ -
Total expenditures	<u>2,623,573</u>	<u>1,610,047</u>	<u>1,013,526</u>
Revenues over (under) expenditures	<u>(1,062,621)</u>	<u>233,657</u>	<u>1,296,278</u>
Other financing sources:			
Sales of capital assets	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total other financing sources	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Appropriation from fund balance	<u>1,062,621</u>	<u>-</u>	<u>(1,062,621)</u>
Net change in fund balance	<u>\$ -</u>	<u>237,157</u>	<u>\$ 237,157</u>
Fund balance, beginning of year		<u>3,760,238</u>	
Fund balance, end of year		<u>\$ 3,997,395</u>	

Other Schedules

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

Town of Oak Ridge, North Carolina
Schedule of Ad Valorem Taxes Receivable
General Fund
Year End June 30, 2021

Schedule 2

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2021</u>
Year of levy:				
2020 - 2021	\$ -	\$ 896,741	\$ 893,313	\$ 3,428
2019 - 2020	4,328	-	2,797	1,531
2018 - 2019	1,470	-	695	775
2017 - 2018	848	-	309	539
2016 - 2017	820	-	53	767
2015 - 2016	428	-	64	364
2014 - 2015	530	-	93	437
2013 - 2014	629	-	59	570
2012 - 2013	1,065	-	52	1,013
2011 - 2012	671	-	68	603
2010 - 2011	605	-	605	-
	11,394	<u>\$ 896,741</u>	<u>\$ 898,108</u>	10,027
Less allowance for uncollectible accounts:				
General Fund	<u>(2,232)</u>			<u>(1,891)</u>
	<u>\$ 9,162</u>			<u>\$ 8,136</u>
Reconcilement with Revenues				
Taxes - Ad Valorem - General Fund				\$ 897,859
Reconciling items:				
Discounts, releases and refunds				<u>249</u>
Total collections and credits				<u>\$ 898,108</u>

Town of Oak Ridge, North Carolina
 Analysis of Current Tax Levy
 Town-Wide Levy
 Year End June 30, 2021

Schedule 3

	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	<u>\$ 1,120,925,635</u>	<u>\$ 0.0800</u>	<u>\$ 896,741</u>	<u>\$ 800,628</u>	<u>\$ 96,113</u>
Net levy			896,741	800,628	96,113
Uncollected taxes at June 30, 2021			<u>(3,428)</u>	<u>(3,428)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 893,313</u>	<u>\$ 797,200</u>	<u>\$ 96,113</u>
Current levy collection percentage			<u>99.62%</u>	<u>99.57%</u>	<u>100.00%</u>

* Property tax valuation prior to the discoveries and abatements