

**REVIEWED**

*By SLGFD at 10:04 am, Dec 07, 2021*

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

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

**Town of Oakboro**

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**June 30, 2021**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and LEO Separation Allowance – Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll and LGERS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset) on pages 3-11 and 44-45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3 2021, on my consideration of the Town of Oakboro, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Oakboro, North Carolina's internal control over financial reporting and compliance.

### **Emphasis of Matter**

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



Eddie Carrick, CPA

Lexington, North Carolina

November 3, 2021

# *Town of Oakboro*

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## **Management's Discussion and Analysis**

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

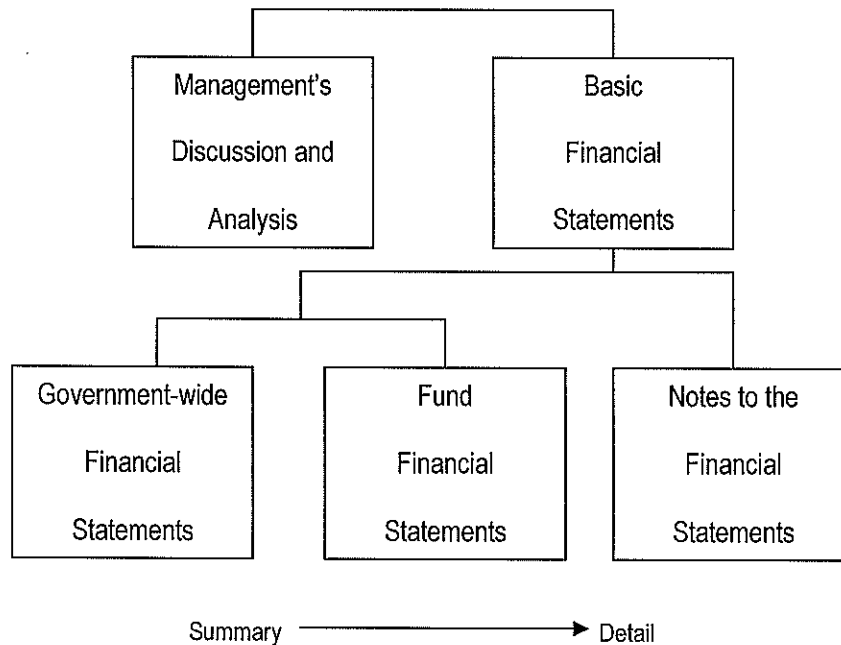
### **Financial highlights**

- The assets and deferred outflows of resources of the Town of Oakboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,152,335 (*net position*).
- The government's total net position decreased by \$308,667 primarily due to increased costs in the proprietary fund and expenditures in the General Fund.
- As of the close of the current fiscal year, the Town of Oakboro's governmental funds reported combined ending fund balances of \$1,063,950, with a net increase of \$2,656 in fund balance. Approximately 26% of this total amount, or \$275,463, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$788,487, or 42% of total general fund expenditures for the fiscal year.
- The Town of Oakboro's total debt increased by \$132,092 due to principal payments of \$70,379 applied to the bonds and installment purchase, a net decrease of \$858 in compensated absences and a net increase in the pension obligation of \$148,009 for LGERS and \$55,320 for LEO.

### **Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**  
**Figure 1**



**Basic Financial Statements**

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

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

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

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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



## Management Discussion and Analysis

### Town of Oakboro

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

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

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

Management Discussion and Analysis  
Town of Oakboro

Town of Oakboro's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 1,176,392	\$ 1,175,525	\$ 2,076,447	\$ 2,085,453	\$ 3,252,839	\$ 3,260,978
Noncurrent other assets	3,631,545	3,768,365	5,695,327	5,725,626	9,326,872	-
Deferred outflows	273,794	175,224	60,427	39,511	334,221	214,735
Total assets and deferred outflows	5,081,731	5,119,114	7,832,201	7,850,590	12,913,932	12,969,704
Long-term liabilities	468,043	304,748	204,507	981,437	672,550	1,286,185
Other Liabilities	33,000	33,000	26,829	23,468	59,829	56,468
Current liabilities	35,409	36,801	950,233	84,909	985,642	121,710
Total liabilities	536,452	374,549	1,181,569	1,089,814	1,718,021	1,464,363
Deferred inflows	41,374	40,759	2,201	3,581	43,575	174,638
Net position:						
Net investment in capital assets	3,631,545	3,768,365	4,538,396	4,342,066	8,169,941	8,110,431
Restricted	275,463	1,007,406	-	-	275,463	1,007,406
Unrestricted	596,897	(71,965)	2,110,034	2,415,130	2,706,931	2,343,165
Total net position	\$ 4,503,905	\$ 4,703,806	\$ 6,648,430	\$ 6,757,196	\$ 11,152,335	\$ 11,461,002

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$11,152,335 as of June 30, 2021. The Town's net position decreased by \$308,667 for the fiscal year ended June 30, 2021. However, the largest portion, \$8,169,941 or 73% reflects the Town's net investment in capital assets (road improvements, equipment, machinery, utility plant). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$275,463, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,706,931 is unrestricted.

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

- Conservative spending approach by management

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

- Increased expenses in the proprietary fund and General Fund

Management Discussion and Analysis  
Town of Oakboro

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 191,248	\$ 84,090	\$ 1,125,699	\$ 986,649	\$ 1,316,947	\$ 1,070,739
Operating grants and contributions	143,115	83,726	-	-	143,115	83,726
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	731,970	657,439	-	-	731,970	657,439
Other taxes	801,820	739,326	-	-	801,820	739,326
Other	16,440	194,186	1,103	7,290	17,543	201,476
Total revenues	1,884,593	1,758,767	1,126,802	993,939	3,011,395	2,752,706
Expenses:						
General government	366,017	313,278	-	-	366,017	313,278
Public safety	846,772	826,788	-	-	846,772	826,788
Transportation	277,714	106,334	-	-	277,714	106,334
Environmental protection	187,268	174,157	-	-	187,268	174,157
Cultural and recreational	403,722	326,889	-	-	403,722	326,889
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,235,568	1,269,158	1,235,568	1,269,158
Total expenses	2,081,493	1,747,446	1,235,568	1,269,158	3,317,061	3,016,604
Increase in net assets before transfers	(196,901)	11,320	(108,766)	(275,219)	(305,667)	(263,899)
Transfers	-	-	-	-	-	-
Increase in net position	(196,901)	11,320	(108,766)	(275,219)	(305,667)	(263,899)
Net position, July 1	4,703,806	4,692,486	6,757,196	7,032,415	11,461,002	11,724,901
Net position, June 30	\$ 4,506,905	\$ 4,703,806	\$ 6,648,430	\$ 6,757,196	\$ 11,155,335	\$ 11,461,002

**Governmental activities.** Governmental activities decreased the Town's net position by \$196,901 thereby accounting for 64% of the total decrease in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Management Discussion and Analysis  
Town of Oakboro

Key elements of this decrease are as follows:

- Tax revenues remained steady.
- Town council has adopted a conservative approach to general fund spending.
- Town continued a major park project

**Business-type activities:** Business-type activities decreased the Town's net position by \$108,766, accounting for 36% of the total decrease in the government's net position. Key elements of this increase are as follows:

- Decreased revenue collections
- Increased cost of water and sewer treatment

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Oakboro's fund balance available in the General Fund was \$788,487, while total fund balance reached \$1,063,950. The Town currently has an available fund balance of 42% of general fund expenditures, while total fund balance represents 57% of the same amount.

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

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

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Fund at the end of the fiscal year amounted to \$2,110,034. The total decrease in net position was \$108,766. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Management Discussion and Analysis  
Town of Oakboro

**Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$9,326,872 (net of accumulated depreciation). These assets include buildings, roads, machinery and equipment.

Major acquisitions included equipment of \$40,779 in the General Fund and System improvements of \$392,061 in the Proprietary Fund.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land and improvements	\$ 596,577	\$ 596,577	\$ 76,640	\$ 76,640	\$ 673,217	\$ 673,217
Buildings	965,874	974,364	-	-	965,874	974,364
Improvements	1,758,910	931,537	-	-	1,758,910	931,537
Vehicles	195,167	202,349	-	-	195,167	202,349
Equipment	115,017	124,326	760,826	785,841	875,843	910,167
Construction in progress	-	939,212	275,955	-	275,955	939,212
Plant and distribution	-	-	4,269,406	4,394,395	4,269,406	4,394,395
	<u>\$ 3,631,545</u>	<u>\$ 3,769,864</u>	<u>\$ 5,382,827</u>	<u>\$ 5,381,998</u>	<u>\$ 9,014,372</u>	<u>\$ 9,025,241</u>

Additional information on the Town's capital assets can be found in Note III.A.5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2021, the Town had General Fund obligations of \$468,043 and Water and Sewer obligations of \$950,234.

**Town of Oakboro's Outstanding Debt (Figure 5)**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Other notes	\$ -	\$ -	\$ 844,431	\$ 914,810	\$ 844,431	\$ 914,810
Net pension obligation	453,084	288,960	103,339	64,134	556,423	353,094
Compensated absences	14,959	15,788	2,464	2,493	17,423	18,281
	<u>\$ 468,043</u>	<u>\$ 278,564</u>	<u>\$ 950,234</u>	<u>\$ 1,049,772</u>	<u>\$ 1,418,277</u>	<u>\$ 1,286,185</u>

### **Town of Oakboro's Outstanding Debt**

The Town of Oakboro's total debt increased by \$132,092 due to principal payments of \$70,379 applied to the bonds and installment purchase, a net decrease of \$858 in compensated absences and a net increase in the pension obligation of \$148,009 for LGERS and \$55,320 for LEO.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of property located within that government's boundaries. The legal debt margin for the Town is \$14,291,453.

Additional information on the Town's debt can be found in Note III.B.5 of this report.

### **Economic Factors and Next Year's Budgets and Rates:**

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

Overall economy is weak at this time. The Town's population grew by 64% from the 2000 census.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

#### **Governmental Activities:**

The 2021-22 budget has been prepared using very conservative estimates for both revenues and expenditures due to the overall weakness of the economy. The growth in population provides a modest increase in sales tax and Powell bill revenues. Property tax revenue increased by \$1,670. It is estimated there will be sustained growth in construction and new business.

The Town has chosen not to appropriate fund balance in the fiscal year 2022 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$17,529 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

#### **Business-type Activities:**

The Town has maintained its current water and sewer rates for the 2021-22 fiscal year.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer at 109 N. Main Street, Oakboro, NC 28129.

**Town of Oakboro, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 823,897	\$ 1,713,638	\$ 2,537,535
Taxes receivable (net)	44,033	-	44,033
Accounts receivable (net)	61,828	124,653	186,481
Due from other governments	118,951	10,745	129,696
Inventories	-	44,333	44,333
Current portion of long-term receivable	-	156,250	156,250
Cash and cash equivalents - restricted	127,683	26,829	154,512
Total current assets	<u>1,176,392</u>	<u>2,076,447</u>	<u>3,252,839</u>
Non-current assets:			
Long-term receivable	-	312,500	312,500
Capital Assets:			
Land and construction in process	836,666	352,595	1,189,261
Other capital assets, net of depreciation	2,794,879	5,030,232	7,825,111
Total non-current assets	<u>3,631,545</u>	<u>5,695,327</u>	<u>9,326,872</u>
Total assets	<u>4,807,937</u>	<u>7,771,774</u>	<u>12,579,711</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - LEOSSA	84,311	-	84,311
Deferred outflows - LGERS	189,483	60,427	249,910
Total deferred outflows of resources	<u>273,794</u>	<u>60,427</u>	<u>334,221</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	35,409	204,507	239,916
Long term debt - NCDEQ - current	-	70,370	70,370
Payable from restricted assets	33,000	26,829	59,829
Long-term liabilities:			
Pension liability - LGERS	324,043	103,339	427,382
Pension liability - LEOSSA	129,041	-	129,041
Accrued vacation	14,959	2,464	17,423
Long term debt - NCDEQ	-	774,061	774,061
Total liabilities	<u>536,452</u>	<u>1,181,569</u>	<u>1,718,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows - LGERS	6,903	2,201	9,104
Deferred pension inflows - LEOSSA	34,471	-	34,471
Total deferred inflows of resources	<u>41,374</u>	<u>2,201</u>	<u>43,575</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,631,545	4,538,396	8,169,941
Restricted for:			
Stabilization by State Statute	180,780	-	180,780
Streets	94,683	-	94,683
Unrestricted	596,897	2,110,034	2,706,931
Total net position	<u>\$ 4,503,905</u>	<u>\$ 6,648,430</u>	<u>\$ 11,152,335</u>

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

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

Exhibit 2

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 366,017	\$ -	\$ -	\$ -	\$ (366,017)	\$ -	\$ (366,017)
Public Safety	846,772	58,816	41,829	-	(746,127)	-	(746,127)
Transportation	277,714	-	68,778	-	(208,936)	-	(208,936)
Environmental protection	187,268	98,295	-	-	(88,973)	-	(88,973)
Culture and recreation	403,722	34,137	32,508	-	(337,077)	-	(337,077)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities (see Note 1)	<u>2,081,494</u>	<u>191,248</u>	<u>143,115</u>	<u>-</u>	<u>(1,747,131)</u>	<u>-</u>	<u>(1,747,131)</u>
Business-type activities:							
Water and sewer	<u>1,235,568</u>	<u>1,125,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,869)</u>	<u>(109,869)</u>
Total business-type activities	<u>1,235,568</u>	<u>1,125,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,869)</u>	<u>(109,869)</u>
Total primary government	<u>\$ 3,317,062</u>	<u>\$ 1,316,947</u>	<u>\$ 143,115</u>	<u>\$ -</u>	<u>(1,747,131)</u>	<u>(109,869)</u>	<u>(1,857,000)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					731,970	-	731,970
Other taxes					801,820	-	801,820
Unrestricted investment earnings					3,761	1,103	4,864
Miscellaneous					9,679	-	9,679
Transfers (to) from other funds					-	-	-
Total general revenues, special items, and transfers					<u>1,547,231</u>	<u>1,103</u>	<u>1,548,333</u>
Change in net position					(199,901)	(108,766)	(308,667)
Net position-beginning					<u>4,703,806</u>	<u>6,757,196</u>	<u>11,461,002</u>
Net position-ending					<u>\$ 4,503,905</u>	<u>\$ 6,648,430</u>	<u>\$ 11,152,335</u>

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



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

	Major		Total
	General	Capital Projects	Governmental
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 823,897	\$ -	\$ 823,897
Cash and cash equivalents - restricted	127,683	-	127,683
Accounts receivable (net)	61,828	-	61,828
Taxes receivable (net)	44,033	-	44,033
Interfund receivable (payable)	-	-	-
Due from other governments	118,951	-	118,951
	<u>\$ 1,176,392</u>		<u>\$ 1,176,392</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 35,410	\$ -	\$ 35,410
Deposits	33,000	-	33,000
	<u>68,410</u>		<u>68,410</u>
<b>Deferred inflows of resources:</b>			
Property tax receivable	44,033	-	44,033
Total deferred inflows of resources	<u>44,033</u>	<u>-</u>	<u>44,033</u>
<b>Fund balances:</b>			
Restricted:			
Stabilization by State Statute	180,780	-	180,780
Streets	94,683	-	94,683
Unassigned	788,487	-	788,487
	<u>1,063,950</u>	<u>-</u>	<u>1,063,950</u>
Total Liabilities and fund balances	<u>\$ 1,176,392</u>		
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$ 6,393,874		
Accumulated depreciation	<u>(2,762,329)</u>		3,631,545
Deferred outflows are not included as expenses in Statement of Activities			
Deferred outflows - LEOSSA			84,311
Deferred outflows - LGRS			189,483
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			44,033
Some liabilities, including bonds payable, accrued interest, and compensated absences are not due and payable in the current period and are therefore not reported in the funds			
Accrued vacation			(14,959)
Pension liability - LEOSSA			(129,041)
Pension liability - LGRS			(324,043)
Deferred inflows - LEOSSA			(34,471)
Deferred inflows - LGRS			(6,903)
Net position of the governmental activities			<u>\$ 4,503,905</u>

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

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

	Major		Total
	General	Capital Projects	Governmental
<b>Revenues:</b>			
Ad Valorem taxes	\$ 732,367	\$ -	\$ 732,367
Other taxes and licenses	785	-	785
Unrestricted intergovernmental revenues	801,035	-	801,035
Restricted intergovernmental revenues	110,607	-	110,607
Permits and fees	61,732	-	61,732
Sales and services	98,295	-	98,295
Investment earnings	3,761	-	3,761
Miscellaneous	73,409	-	73,409
Total revenues	1,881,990	-	1,881,990
<b>Expenditures:</b>			
Current:			
General government	345,161	-	345,161
Public safety	784,235	-	784,235
Transportation	240,710	-	240,710
Environmental protection	186,413	-	186,413
Cultural and recreational	322,814	-	322,814
Total Expenditures	1,879,334	-	1,879,334
Excess (deficiency) of revenues over expenditures	2,656	-	2,656
<b>Other Financing Sources (Uses):</b>			
Transfer from (to) other funds	(699,123)	699,123	-
Proceeds from debt	-	-	-
Total other financing sources (uses)	(699,123)	699,123	-
Net change in fund balance	(696,467)	699,123	2,656
<b>Fund Balances</b>			
Beginning of year, July 1	1,760,417	(699,123)	1,061,294
End of year, June 30	\$ 1,063,950	\$ -	\$ 1,063,950

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

**Town of Oakboro, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds \$ 2,656

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 (net of disposals).

Capital outlay expenditures which were capitalized	\$ 40,779	
Capital outlay from capital projects	-	
Depreciation expense for governmental assets	<u>(177,599)</u>	(136,820)

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		(397)
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Changes in LGERS pension expense:

Deferred outflows	56,880	
Pension liability	(108,804)	
Deferred inflows	<u>5,114</u>	(46,810)

Changes in LEOSSA pension expense:

Deferred outflows	41,690	
Pension liability	(55,320)	
Deferred inflows	<u>(5,729)</u>	(19,359)

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

Proceeds from long-term debt	-	
Principle payments on debt	<u>-</u>	-

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		<u>829</u>
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Total changes in net position of governmental activities		<u><u>\$ (199,901)</u></u>
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The notes to the financial statements are an integral part of this statement

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

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 688,500	\$ 736,000	\$ 732,367	\$ (3,633)
Other taxes and licenses	1,550	1,550	785	(765)
Unrestricted intergovernmental	691,800	767,800	801,035	33,235
Restricted intergovernmental	72,000	113,829	110,607	(3,222)
Permits and fees	4,775	53,888	61,732	7,844
Sales and services	76,000	92,700	98,295	5,595
Investment earnings	20,000	20,000	3,761	(16,239)
Miscellaneous	36,000	75,982	73,409	(2,573)
Total revenues	<u>1,590,625</u>	<u>1,861,749</u>	<u>1,881,990</u>	<u>20,241</u>
Expenditures				
Current:				
General government	298,010	353,110	345,161	7,949
Public safety	787,520	845,520	784,235	61,285
Transportation	149,650	244,650	240,710	3,940
Environmental protection	167,900	190,300	186,413	3,887
Cultural and recreation	216,650	327,250	322,614	4,436
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,619,730</u>	<u>1,960,830</u>	<u>1,879,334</u>	<u>81,496</u>
Revenues over (under) expenditures	<u>(29,105)</u>	<u>(99,081)</u>	<u>2,656</u>	<u>101,737</u>
Other financing sources (uses):				
Transfers to capital projects	-	(700,000)	(699,123)	877
Fund balance appropriated	29,105	799,081	-	(799,081)
Total other financing sources (uses)	<u>29,105</u>	<u>99,081</u>	<u>(699,123)</u>	<u>(798,204)</u>
Net change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(696,467)</u>	<u>\$ (696,467)</u>
Fund balance, beginning of year			1,760,417	
Fund balance, ending of year			<u>\$ 1,063,950</u>	

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

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

	<b>Major Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and investments - unrestricted	\$ 825,258	\$ 888,380	\$ 1,713,638
Cash and investments - restricted	26,829	-	26,829
Accounts receivable, (net) - billed	64,792	59,861	124,653
Due from other governments	4,067	6,678	10,745
Current portion of long-term receivable	-	156,250	156,250
Inventories	17,505	26,828	44,333
Total current assets	<u>938,450</u>	<u>1,137,997</u>	<u>2,076,447</u>
Capital assets:			
Land and other non-depreciable assets	26,500	326,095	352,595
Other capital assets, net of depreciation	2,255,644	2,774,588	5,030,232
Capital assets (net)	<u>2,282,144</u>	<u>3,100,683</u>	<u>5,382,827</u>
Other assets:			
Long-term receivables	-	312,500	312,500
	<u>-</u>	<u>312,500</u>	<u>312,500</u>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	32,235	28,192	60,427
	<u>32,235</u>	<u>28,192</u>	<u>60,427</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	35,647	168,860	204,507
Long term debt - NCDEQ - current	-	70,370	70,370
Installment purchase - current	-	-	-
Liabilities payable from restricted assets:			
Customer deposits	26,829	-	26,829
Total current liabilities	<u>62,476</u>	<u>239,230</u>	<u>301,706</u>
Noncurrent Liabilities:			
Compensated absences	1,385	1,079	2,464
Pension liability	55,127	48,212	103,339
Long term debt - NCDEQ	-	774,061	774,061
Installment purchases- noncurrent	-	-	-
Total noncurrent liabilities	<u>56,511</u>	<u>823,352</u>	<u>879,864</u>
Total liabilities	<u>118,987</u>	<u>1,062,582</u>	<u>1,181,569</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	1,174	1,027	2,201
	<u>1,174</u>	<u>1,027</u>	<u>2,201</u>
<b>Net Position:</b>			
Net investment in capital assets	2,282,144	2,256,252	4,538,396
Unrestricted	850,523	1,259,511	2,110,034
Total net position	<u>\$ 3,132,667</u>	<u>\$ 3,515,763</u>	<u>\$ 6,648,430</u>

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

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

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 557,792	\$ 510,397	\$ 1,068,189
Miscellaneous income	1,254	51,993	53,247
Other operating revenues	4,263	-	4,263
Total operating revenues	563,309	562,390	1,125,699
<b>Operating Expenses:</b>			
Administration	23,010	8,513	31,523
Water operations	265,139	-	265,139
Water purchases	186,517	-	186,517
Waste collection and treatment	-	486,280	486,280
Depreciation	157,234	108,876	266,110
Total operating expenses	631,899	603,668	1,235,568
Operating income (loss)	(68,590)	(41,278)	(109,869)
<b>Non-Operating Revenues (Expenses):</b>			
Interest on investments	874	229	1,103
Interest and other charges	-	-	-
Total non-operating revenues (expenses)	874	229	1,103
<b>Income (loss) before other sources (uses)</b>	<b>(67,716)</b>	<b>(41,050)</b>	<b>(108,766)</b>
<b>Other sources (uses)</b>			
Transfers (to) from	-	-	-
	-	-	-
Change in net position	(67,716)	(41,050)	(108,766)
Total net position - beginning	3,200,383	3,556,813	6,757,196
Total net position - ending	\$ 3,132,667	\$ 3,515,763	\$ 6,648,430

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

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

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Cash Flows From</b>			
<b>Operating Activities:</b>			
Cash received from customers	\$ 559,318	\$ 561,562	\$ 1,120,880
Cash paid for goods and services	(331,186)	(243,149)	(574,335)
Cash to or on behalf of employees	(127,251)	(131,392)	(258,643)
Other operating revenues	-	-	-
Net cash provided by operating activities	100,881	187,021	287,902
<b>Cash Flows From Non-Capital</b>			
<b>Financing Activities:</b>			
None	-	-	-
Net cash provided by non-capital financing activities	-	-	-
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(27,555)	(364,506)	(392,061)
Proceeds from sale of capital assets	-	156,250	156,250
Principle paid on bond maturities	-	(70,379)	(70,379)
Interest paid on bond maturities	-	-	-
Net cash (used) by capital and related financing activities	(27,555)	(278,635)	(306,190)
<b>Cash Flows From Investing Activities:</b>			
Interest income	874	229	1,103
Net increase (decrease) in cash and cash equivalents	74,200	(91,385)	(17,185)
Balances - beginning of year	777,887	979,765	1,757,652
Balances - end of year	\$ 852,087	\$ 888,380	\$ 1,740,467
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (68,590)	\$ (41,278)	\$ (109,868)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	157,234	108,876	266,110
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(7,352)	(828)	(8,180)
(Increase) decrease in net pension outflows	9,099	7,811	16,910
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	6,677	112,921	119,598
Increase (decrease) in customer deposits	3,361	-	3,361
Increase (decrease) in accrued vacation pay	452	(481)	(29)
Total adjustment	169,471	228,299	397,770
Net cash provided by operating activities	\$ 100,881	\$ 187,021	\$ 287,902
Interest paid	\$ -	\$ -	\$ -

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

## ***Town of Oakboro, North Carolina***

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

#### ***Description of the Unit***

The Town of Oakboro is located in Stanly County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 2040. The Town provides water and sewer services to its residents.

#### ***I. Summary of Significant Accounting Policies***

The accounting policies of the Town of Oakboro 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 Oakboro is a municipal corporation governed by an elected mayor and a five- member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town, a single entity with no other legally separate entities for which the Town is financially accountable.

##### ***B. Basis of Presentation***

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.



## ***Notes to the Financial Statements (continued)***

### ***B. Basis of Presentation (continued)***

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

The Town reports the following major governmental funds:

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

**General Capital Project Fund:** This fund is used to account for the Town's projects exceeding one year.

The Town reports the following major enterprise funds:

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

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

### ***C. Measurement Focus and Basis of Accounting***

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

## ***Notes to the Financial Statements (continued)***

### ***C. Measurement Focus and Basis of Accounting (continued)***

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

### ***D. Budgetary Data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Grant Projects, Special Revenue, Capital Projects, and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective 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 at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

## **Notes to the Financial Statements (continued)**

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

#### **1. Deposits and Investments**

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) a money market mutual fund is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

#### **2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

#### **3. Restricted Assets**

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

#### Town of Oakboro Restricted Cash

<b>Governmental Activities</b>		
General Fund	Streets	\$ 94,683
	Customer deposits	<u>33,000</u>
Total governmental activities		<u>127,683</u>
 <b>Business-type Activities</b>		
Water and Sewer Fund	Customer deposits	<u>26,829</u>
		<u>26,829</u>
Total Business-type Activities		
Total Restricted Cash		<u><u>\$ 154,512</u></u>

## ***Notes to the Financial Statements (continued)***

### ***4. Ad Valorem Taxes Receivable***

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

### ***5. Allowances for Doubtful Accounts***

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

### ***6. Inventory and Prepaid Items***

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund has no inventory but consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when held for resale rather than when purchased.

### ***7. Capital Assets***

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life of more than two years. Minimum capitalization costs are as follows: land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$3,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Life</u>
Infrastructure	10-30 years
Buildings	25-50
Improvements	10-50
Vehicles	6
Furniture and equipment	5-10
Computer equipment	3

## ***Notes to the Financial Statements (continued)***

### **8. Deferred Outflows / Inflows of Resources**

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

### **9. Long-Term Obligations**

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

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

### **10. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments is recorded. 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### **11. Net position / Fund Balances**

#### **Net position**

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

## ***Notes to the Financial Statements (continued)***

### **11. Net position / Fund Balances (continued)**

#### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

*Restricted for Stabilization by State Statute* - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as 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 the Town of Oakboro's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

## ***Notes to the Financial Statements (continued)***

### **12. Pensions**

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

## ***II. Stewardship, Compliance, and Accountability:***

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

1. Noncompliance with North Carolina General Statutes: There were none noted
2. Contractual Violations: There were none noted.
3. Excess of Expenditures over Appropriations: There were none noted

## ***III. Detail Notes on All Funds and Account Groups***

### ***A. Assets:***

#### ***1. Deposits***

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

At June 30, 2021, the Town's deposits had a carrying amount of \$2,670,715 and a bank balance of \$2,660,669. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. The Town had cash on hand of \$300 at year end.

## **Notes to the Financial Statements (continued)**

### **2. Investments**

At June 30, 2021, the Town had \$21,032 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

### **3. Receivables – Allowances for Doubtful Accounts**

There were no allowances for bad debts for the outstanding receivables at June 30, 2021.

### **4. Receivables – Long Term**

In selling a portion of the sewer system to Stanly County, the Town agreed to receive \$1,562,500 in ten equal payments of \$156,250 beginning July 1, 2014 at 0% interest. The non-current portion is so reflected on the proprietary funds balance sheet. The balance at June 30, 2021 was \$468,750.

### **5. Capital Assets**

#### **Construction commitments**

There were no construction commitments at June 30, 2021.

#### **Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 596,577	\$ -	\$ -	\$ 596,577
Construction in progress	939,212	-	939,212	-
Capital assets not being depreciated:	1,535,789	-	939,212	596,577
<b>Capital assets being depreciated:</b>				
Buildings	1,067,941	-	-	1,067,941
Infrastructure	2,496,388	939,212	-	3,435,600
Equipment	360,156	-	-	360,156
Vehicles and motorized equipment	892,821	40,779	-	933,600
Total capital assets being depreciated:	4,817,306	979,991	-	5,797,297
<b>Less, accumulated depreciation for:</b>				
Buildings	93,577	8,490	-	102,067
Infrastructure	1,564,851	111,839	-	1,676,690
Equipment	235,830	9,309	-	245,139
Vehicles and motorized equipment	690,472	47,961	-	738,433
Total accumulated depreciation	2,584,730	177,599	-	2,762,329
Total capital assets being depreciated, net	2,232,576			3,034,968
<b>Governmental activity capital assets, net</b>	<b>\$ 3,768,365</b>			<b>\$ 3,631,545</b>



**Notes to the Financial Statements (continued)**

**5. Capital Assets (continued)**

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

General government	\$ 12,062
Public safety	57,270
Transportation	36,101
Cultural and recreational	72,166
	<u>\$177,599</u>

**Business-type Activities**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<b>Water Fund</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 26,500	\$ -	\$ -	\$ 26,500
Construction in progress	-	-	-	-
<b>Capital assets being depreciated:</b>				
Plant distribution systems	4,167,700	27,555	-	4,195,255
Furniture & maintenance equipment	543,761	-	-	543,761
Motor vehicles	58,604	-	-	58,604
Total capital assets being depreciated	4,770,065	27,555	-	4,797,620
<b>Less, accumulated depreciation for:</b>				
Plant distribution systems	2,005,267	142,180	-	2,147,447
Furniture & maintenance equipment	325,532	6,224	-	331,756
Motor vehicles	53,942	8,830	-	62,772
Total accumulated depreciation	2,384,741	157,234	-	2,541,975
Total capital assets being depreciated, net	2,385,323			2,255,644
Water fund capital assets, net	2,411,823			2,282,144
<b>Sewer Fund</b>				
<b>Capital assets not being depreciated</b>				
Construction work in progress	-	275,955	-	275,955
Land	50,140	-	-	50,140
Total not being depreciated	50,140	275,955	-	326,095
<b>Capital assets being depreciated:</b>				
Plant and distribution center	6,042,672	88,551	-	6,131,223
Furniture & maintenance equipment	882,407	-	-	882,407
Motor vehicles	73,638	-	-	73,638
Total capital assets being depreciated	6,998,717	88,551	-	7,087,268
<b>Less, accumulated depreciation for:</b>				
Plant and distribution center	3,810,710	98,914	-	3,909,624
Furniture & maintenance equipment	335,738	4,536	-	340,274
Motor vehicles	57,356	5,426	-	62,782
Total accumulated depreciation	4,203,804	108,876	-	4,312,680
Total capital assets being depreciated, net	2,794,913			2,774,588
Sewer fund capital assets, net	2,845,053			3,100,683
<b>Business-type activities capital assets, net</b>	<u>\$ 5,256,876</u>			<u>\$ 5,382,827</u>

## ***Notes to the Financial Statements (continued)***

### ***B. Liabilities:***

#### ***1. Pension Plan Obligations:***

##### ***a. Local Governmental Employees' Retirement System***

*Plan Description.* The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount

**Notes to the Financial Statements (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

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 \$82,506 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 \$427,382 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, 2021 (as measured at June 30, 2020), the Town's proportion was 0.01196%, which was an increase of 0.001737% from its proportion measured as of June 30, 2020 (as measured as of June 30, 2020).

For the year ended June 30, 2021, the Town recognized pension expense of \$146,224. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$	53,971	\$	-
Changes of assumptions		31,806		-
Net difference between projected and actual earnings on pension plan investments		60,142		-
Changes in proportion and differences between Town contributions and proportionate share of contributions		21,485		9,105
Town contributions subsequent to the measurement date		82,506		-
Total	\$	249,910	\$	9,105

**Notes to the Financial Statements (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

\$82,506 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$	45,052
2022		60,539
2023		34,908
2024		17,799
2025		-
thereafter		-
	<u>\$</u>	<u>158,298</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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements

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

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

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

**Notes to the Financial Statements (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 867,111	\$ 427,382	\$ 61,936

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

## ***Notes to the Financial Statements (continued)***

### ***b. Law Enforcement Officers Special Allowance***

#### *1. Plan Description.*

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

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

Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	<hr/> 8 <hr/>

#### *2. Summary of Significant Accounting Policies*

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

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

#### *3. Actuarial Assumptions*

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

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

## Notes to the Financial Statements (continued)

### **b. Law Enforcement Officers Special Allowance (continued)**

#### **4. Contributions.**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$129,041. The total pension liability was measured as of December 31, 2020 based on a December 31, 2020 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 \$19,359.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,704	\$ 32,125
Changes of assumptions	54,607	2,346
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 84,311	\$ 34,471

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflow of Resources	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2021	\$ 16,862	\$ 6,894	\$ 9,968
2022	16,862	6,894	9,968
2023	16,862	6,894	9,968
2024	16,862	6,894	9,968
2025	16,863	6,895	9,968
Thereafter	-	-	-

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

**Notes to the Financial Statements (continued)**

**b. Law Enforcement Officers Special Allowance (continued)**

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:

	<b>1% Decrease (0.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% increase (2.93%)</b>
Total pension liability	\$ 140,225	\$ 129,041	\$ 118,914

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

	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 73,721	\$ 69,580
Service Cost	7,878	7,130
Interest on the total pension liability	2,403	2,533
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(13,270)	(8,964)
Changes of assumptions or other inputs	58,309	3,442
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 129,041</u>	<u>\$ 73,721</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 for the period December 31, 2015 through December 31, 2019.



## Notes to the Financial Statements (continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,416,224	\$ 19,359	\$ 1,435,583
Pension Liability	427,382	129,041	556,423
Proportionate share of the net pension liability	0.01196%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	53,971	29,704	83,675
Changes of assumptions	31,806	54,607	86,413
Net difference between projected and actual earnings on plan investments	60,142	-	60,142
Changes in proportion and differences between contributions and proportionate share of contributions	21,485	-	21,485
Benefit payments and administrative costs paid subsequent to the measurement date	82,506	-	82,506
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	32,125	32,125
Changes of assumptions	-	2,346	2,346
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,105	-	9,105

### **c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town also provided this same benefit to other eligible employees beginning on July 1, 1998. Contributions for the year ended June 30, 2021 were \$53,322, which consisted of \$27,355 from the Town and \$25,967 from the employees.

## **Notes to the Financial Statements (continued)**

### **d. Other Employment Benefits**

The Town does not provide for any post retirement employee health benefits.

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employee's 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 law enforcement officers 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2021, the Town made contributions to the State for death benefits of \$250. The Town's required contributions for law enforcement officers represented .0010% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

### **2. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources at year end is comprised of the following:

Source	Amount
Pension deferrals	\$ 334,221
Total	\$ 334,221

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

Source	Statement of Net Position	General Fund Balance Sheet
Pension deferrals	\$ 43,575	\$ -
Property tax receivable	-	44,003
Total	\$ 43,575	\$ 44,003

## ***Notes to the Financial Statements (continued)***

### **3. Risk Management**

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through this pool, the Town obtains general liability 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 the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pool is reinsured through commercial companies for single occurrence claims against general liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in 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 flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure located in Zones B, C, and X. There is a deductible of \$50,000 per structure.

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 public employees that have access to funds are bonded under a blanket bond for \$10,000. The finance officer has a \$50,000 bond.

### **4. Claims, Judgments and Contingent Liabilities**

There are no known claims, judgments or contingent liabilities as of June 30, 2021.

### **5. Long-term Obligations**

#### ***a. Installment Purchases***

##### **Serviced by the General Fund**

At June 30, 2021, the Town had no general long-term debt obligations.

### **5. Long-term Obligations**

##### **Serviced by the Water and Sewer Fund**

On July 2, 2012, The Town was approved for State General Revolving Loan Account from NCDENR of \$2,019,292 at 0% interest for sewer improvements. At June 30, 2016, \$1,307,039 was advanced. At June 30, 2021, \$844,431 was outstanding.

**Notes to the Financial Statements (continued)**

**5. Long-term Obligations (continued)**

Future maturities for the long-term debt, including interest of \$0, are as follows:

	Principle	Interest	Total
2022	\$ 70,370	\$ -	\$ 70,370
2023	70,370	-	70,370
2024	70,370	-	70,370
2025	70,370	-	70,370
2026	70,370	-	70,370
2027-31	351,850	-	351,850
2032-33	140,731	-	140,731
	<u>\$ 844,431</u>	<u>\$ -</u>	<u>\$ 844,431</u>

**b. Changes in Long-term Liabilities**

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Current Maturities
Governmental activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated Absences	15,788	-	829	14,959	-
Pension liability - LGERS	215,239	108,804	-	324,043	-
Pension liability - LEO	73,721	55,320	-	129,041	-
Total Governmental activities	<u>\$ 304,748</u>	<u>\$ 164,124</u>	<u>\$ 829</u>	<u>\$ 468,043</u>	<u>\$ -</u>
Business-type activities:					
Compensated absences	\$ 2,493	\$ -	\$ 29	\$ 2,464	\$ -
Pension liability	64,134	39,205	-	103,339	-
NCDEQ loan	914,810	-	70,379	844,431	70,370
Installment purchases	-	-	-	-	-
Total Business activities	<u>\$ 981,437</u>	<u>\$ 39,205</u>	<u>\$ 70,408</u>	<u>\$ 950,234</u>	<u>\$ 70,370</u>

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

The legal debt margin for the Town is \$14,291,454 or 8% of the assessed valuation.

**Notes to the Financial Statements (continued)**

**c. Interfund Balances and Activity**

The following transfers were made during the current physical year to close out capital projects:

From General Fund	\$699,123
To General Capital Projects	\$699,123

**C. Net Investment in Capital Assets**

	<b>Governmental</b>	<b>Business-type</b>
Capital Assets	\$ 3,631,545	\$ 5,382,827
less: long-term debt	-	844,431
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 3,631,545</u>	<u>\$ 4,538,396</u>

**D. Fund Balance**

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

<b><u>Total fund balance - General Fund</u></b>	<b><u>\$ 1,063,950</u></b>
Less:	
Stabilization by State Statute	180,780
Streets - Powell Bill	94,683
Prepays - nonspendable	-
Appropriated Fund Balance in 2022 budget	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 788,487</u>

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

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

**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 agreement. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

## ***Notes to the Financial Statements (continued)***

### ***V. Significant Effects of Subsequent Events***

Subsequent events occurring after the statement of financial position date have been evaluated through November 3, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Authority and its ability to carry out its activities which could impact its financial results.

**Town of Oakboro, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**June 30, 2021**

**Schedule of Changes in Total Pension Liability**

	2021	2020	2019	2018
Beginning balance	\$ 73,721	\$ 69,580	\$ 21,533	\$ 62,316
Service Cost Interest on total pension liability	7,878	7,130	7,790	2,964
Interest	2,403	2,533	496	1,791
Differences between expected and actual experience in the measurement of the total pension liability	(13,270)	-	55,165	(29,668)
Changes of assumptions or other inputs	58,309	(8,964)	(3,744)	2,412
Benefit payments	-	3,442	(11,660)	(4,735)
Other changes	-	-	-	(13,547)
Ending balance of the total pension liability	<u>\$ 129,041</u>	<u>\$ 73,721</u>	<u>\$ 69,580</u>	<u>\$ 21,533</u>

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

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	2021	2020	2019	2018
Total pension liability	\$ 129,041	\$ 73,721	\$ 69,580	\$ 21,533
Covered payroll	386,483	301,528	277,679	155,134
Total pension liability as a percentage of covered payroll	33.39%	24.45%	25.06%	13.88%

**Notes to the schedules:**

The employer does not have a special funding situation

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provide pay related benefits

**Change in actuarial assumptions**

December 31, 2020 Measurement date: The Municipal Bond Index rate decreased from 3.26% to 1.93%

December 31, 2019 Measurement date: The Municipal Bond Index rate decreased from 3.64% to 3.26%

December 31, 2018 Measurement date: The Municipal Bond Index rate increased from 3.16% to 3.64%

December 31, 2017 Measurement date: The Municipal Bond Index rate decreased from 3.86% to 3.16%

December 31, 2016 Measurement date: The Municipal Bond Index rate increased from 3.57% to 3.86%

The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from .05% to 1.0%

**Town of Oakboro, North Carolina  
Town of Oakboro's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 82,506	\$ 62,876	\$ 48,773	\$ 44,065	\$ 37,153	\$ 33,125	\$ 39,562	\$ 40,871
	\$ -							
Contributions in relation to the contractually required contribution	<u>\$ 82,506</u>	<u>\$ 62,876</u>	<u>\$ 48,773</u>	<u>\$ 44,065</u>	<u>\$ 37,153</u>	<u>\$ 33,125</u>	<u>\$ 39,562</u>	<u>\$ 40,871</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Oakboro's covered-employee payroll	\$ 786,630	\$ 673,543	\$ 599,386	\$ 579,422	\$ 486,864	\$ 501,493	\$ 553,869	\$ 572,423
Contributions as a percentage of covered-employee payroll	10.49%	9.34%	8.14%	7.60%	7.63%	6.61%	7.14%	7.14%

**Proportionate Share of Net Pension Liability (Asset)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Oakboro's proportion of the net pension liability (asset) (%)	0.01196%	0.01023%	0.01090%	0.00827%	0.00910%	0.01039%	0.01215%	0.01400%
Oakboro's proportion of the net pension liability (asset) (\$)	\$ 427,382	\$ 279,373	\$ 195,806	\$ 126,343	\$ 193,132	\$ 46,630	\$ (71,654)	\$ 164,525
Oakboro's covered-employee payroll	\$ 673,543	\$ 599,386	\$ 579,422	\$ 486,864	\$ 501,493	\$ 553,869	\$ 572,423	\$ 603,946
Oakboro's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.45%	46.61%	33.79%	25.95%	38.51%	8.42%	( 12.52%)	27.24%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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



**Town of Oakboro, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year end June 30, 2020
<b>REVENUES:</b>				
Ad valorem taxes:				
Current year		\$ 732,367		\$ 655,237
Penalties and interest		-		-
	<u>\$ 736,000</u>	<u>732,367</u>	<u>\$ (3,633)</u>	<u>655,237</u>
Other taxes and licenses:				
Privilege Licenses		785		875
	<u>1,550</u>	<u>785</u>	<u>(765)</u>	<u>875</u>
Unrestricted intergovernmental:				
Local option sales tax		613,086		517,874
Beer and wine tax		8,755		8,751
Sales tax refund		15,210		35,957
Utility franchise tax		163,984		175,870
	<u>767,800</u>	<u>801,035</u>	<u>33,235</u>	<u>738,451</u>
Restricted intergovernmental:				
Powell Bill allocation		68,778		72,376
DOC grant		-		11,350
CARES grant		41,829		-
	<u>113,829</u>	<u>110,607</u>	<u>(3,222)</u>	<u>83,726</u>
Permits and fees:				
Building permits		7,715		6,465
Police		54,017		39,934
	<u>53,888</u>	<u>61,732</u>	<u>7,844</u>	<u>46,399</u>
Sales and Services:				
Sanitation		72,415		69,303
Cemetery		25,880		14,787
	<u>92,700</u>	<u>98,295</u>	<u>5,595</u>	<u>84,090</u>
Investment earnings:	<u>20,000</u>	<u>3,761</u>	<u>(16,239)</u>	<u>60,072</u>
Miscellaneous:				
Donations		32,508		-
Sale of surplus assets		300		21,237
Other revenues		40,601		66,478
	<u>75,982</u>	<u>73,409</u>	<u>(2,573)</u>	<u>87,715</u>
Total revenues	<u>1,861,749</u>	<u>1,881,990</u>	<u>20,241</u>	<u>1,756,564</u>

**Town of Oakboro, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2020</u>
<b>EXPENDITURES:</b>				
General Government:				
Professional services		\$ 68,625		\$ 28,578
Membership dues		6,699		5,530
Telephone - Utilities		12,613		12,210
		<u>87,936</u>		<u>46,317</u>
Administration:				
Salaries and benefits		159,548		143,183
Other operating expenditures		44,856		49,375
		<u>204,403</u>		<u>192,557</u>
Public building:				
Repairs & maintenance		17,385		13,586
Other operating expenditures		4,971		6,744
Liability insurance		30,465		34,319
		<u>52,822</u>		<u>54,649</u>
Total general government	<u>\$ 353,110</u>	<u>345,161</u>	<u>\$ 7,949</u>	<u>293,524</u>
Public Safety:				
Fire:				
Assistance to local fire unit		96,883		82,000
Police:				
Salaries and benefits		497,913		532,789
Maintenance - equipment		31,582		29,990
Other operating expenditures		94,583		53,625
Gas		18,158		19,959
Debt payment		4,336		2,985
Capital outlay		40,779		106,508
		<u>687,352</u>		<u>745,857</u>
Total public safety	<u>845,520</u>	<u>784,235</u>	<u>61,285</u>	<u>827,857</u>
Transportation:				
Streets and highways:				
Powell Bill expenses		159,179		3,053
Powell Bill capital outlay		-		62,380
Maintenance		1,618		1,072
Street lights		36,852		32,898
Other operating expenditures		43,061		31,150
Capital outlay		-		1,260
		<u>240,710</u>		<u>131,813</u>
Total Transportation	<u>244,650</u>	<u>240,710</u>	<u>3,940</u>	<u>131,813</u>

**Town of Oakboro, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2020</u>
<b>EXPENDITURES:</b>				
Environmental Protection:				
Solid Waste:				
Contract services		\$ 170,982		\$ 162,713
		<u>170,982</u>		<u>162,713</u>
Cemetery:				
Salaries and benefits		14,026		3,562
Contract services		-		7,274
Other operating expenditures		1,405		429
		<u>15,431</u>		<u>11,265</u>
Total Environmental Protection	<u>\$ 190,300</u>	<u>186,413</u>	<u>\$ 3,887</u>	<u>173,978</u>
 Culture and Recreation:				
Parks and recreation:				
Salaries and benefits		170,911		143,932
Contract services		3,025		2,180
Maintenance		58,833		39,349
Donations		37,258		3,812
Other operating expenditures		52,788		56,876
Capital outlay		-		-
Total cultural and recreation	<u>327,250</u>	<u>322,814</u>	<u>4,436</u>	<u>246,148</u>
 Total expenditures	<u>1,960,830</u>	<u>1,879,334</u>	<u>81,496</u>	<u>1,673,320</u>
 Revenues over expenditures	<u>(99,081)</u>	<u>2,656</u>	<u>101,737</u>	<u>83,244</u>

**Town of Oakboro, North Carolina**  
**General Fund (Continued)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2020</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to Other Funds:				
District Park - V	\$ (700,000)	\$ (699,123)	\$ 877	\$ -
Veterans Park	-	-	-	-
Transfer from Other Funds:				
Water Fund	-	-	-	-
	<u>(700,000)</u>	<u>(699,123)</u>	<u>877</u>	<u>-</u>
Revenues over expenditures	(799,081)	(696,467)	102,614	83,244
Fund Balance appropriations	<u>799,081</u>	<u>-</u>	<u>(799,081)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(696,467)</u>	<u>\$ (696,467)</u>	<u>83,244</u>
Fund balances - beginning of year		<u>1,760,417</u>		<u>1,677,173</u>
Fund balances - end of year		<u>\$ 1,063,950</u>		<u>\$ 1,760,417</u>

**Town of Oakboro, North Carolina**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**General Fund Capital Projects**  
**From inception through June 30, 2021**

	<u>Actual</u>			Variance
	<u>Project</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Favorable</u>
	<u>Authorization</u>			<u>(Unfavorable)</u>
<b>REVENUES:</b>				
Restricted intergovernmental				
State grants - PARTF, Phase 5	\$ 278,800	\$ 134,414	\$ -	\$ 134,414
State grants - PARTF, Veterans Park	86,400	55,675	-	55,675
Other grants	50,000	50,000	-	50,000
Investment earnings	-	-	-	-
Total revenues	415,200	240,089	-	240,089
<b>EXPENDITURES:</b>				
District Park, Phase 5				
Construction	954,400	786,945	-	786,945
Veterans Park				
Construction	160,800	152,267	-	152,267
Total expenditures	1,115,200	939,212	-	939,212
Revenues over expenditures	(700,000)	(699,123)	-	(699,123)
<b>OTHER FINANCING SOURCES :</b>				
Operating transfers in (out):				
General Fund	700,000	-	699,123	699,123
Revenue and other financing sources over expenditures	\$ -	\$ (699,123)	699,123	\$ -
<b>Fund balances:</b>				
Beginning of year, July 1			(699,123)	
End of year, June 30			\$ -	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
<b>REVENUES:</b>				
Operating Revenues:				
Charges		\$ 551,304		\$ 549,395
Penalties		6,488		8,051
	<u>\$ 506,700</u>	<u>557,792</u>	<u>\$ 51,092</u>	<u>557,446</u>
Non-operating revenues	-	4,263	4,263	5,355
Total operating revenues	<u>506,700</u>	<u>562,055</u>	<u>55,355</u>	<u>562,801</u>
Other Sources:				
Interest	2,500	874	(1,626)	4,457
Miscellaneous	1,000	1,254	254	3,023
Total revenues	<u>510,200</u>	<u>564,183</u>	<u>53,983</u>	<u>570,281</u>
<b>EXPENDITURES:</b>				
Administration:				
Telephone		4,347		3,215
Professional services		4,921		12,312
Insurance		5,142		4,372
Other operating expenditures		8,599		7,804
	<u>30,500</u>	<u>23,010</u>	<u>7,490</u>	<u>27,704</u>
Water Operations:				
Salaries and employee benefits		136,802		118,701
Maintenance - lines		62,804		24,862
Maintenance - other		17,588		4,994
Other operating expenditures		34,920		33,178
Water system test		3,475		4,435
	<u>259,700</u>	<u>255,588</u>	<u>4,112</u>	<u>186,169</u>
Water purchases	<u>190,000</u>	<u>186,517</u>	<u>3,483</u>	<u>99,303</u>
Debt Service:				
Principal		-		-
Interest		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Capital Outlay:				
Equipment	\$ 30,000	\$ 27,555	\$ 2,445	\$ 80,906
Total expenditures	510,200	492,670	17,530	394,081
Revenues over expenditures	-	71,513	71,513	176,200
Other financing sources (uses):				
Transfers (to) from other funds:				
Total Other Financing (Uses)	-	-	-	-
Fund Balance Appropriated	-	-	-	-
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	71,513	<u>\$ 71,513</u>	176,200
Reconciliation of modified accrual basis to full accrual basis:				
Reconciling items:				
Capital outlay		27,555		80,906
Pension deferred outflows		11,266		14,265
Pension deferred inflows		726		(8,174)
Pension liability		(21,090)		(1,931)
Depreciation		(157,234)		(153,869)
Change in accrued vacation		(452)		1,679
		<u>(139,229)</u>		<u>(67,124)</u>
Change in Net Position		<u>\$ (67,716)</u>		<u>\$ 109,076</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
<b>REVENUES</b>				
Operating revenues:				
Sewer charges		\$ 479,667		\$ 435,300
Connection fees		30,730		24,970
Miscellaneous		51,993		27,059
	<u>\$ 433,850</u>	<u>562,390</u>	<u>\$ 128,540</u>	<u>487,330</u>
Non-operating revenues:				
Interest on investments		229		722
	<u>200</u>	<u>229</u>	<u>29</u>	<u>722</u>
 Total revenues	 <u>434,050</u>	 <u>562,619</u>	 <u>128,569</u>	 <u>488,052</u>
<b>EXPENDITURES</b>				
Administration:				
Telephone		7,303		7,504
Office expenses		-		-
Other		1,210		1,210
Total Administration	<u>10,000</u>	<u>8,513</u>	<u>1,487</u>	<u>8,714</u>
Waste collection and treatment:				
Salaries and employee benefits		138,722		126,705
Wholesale costs		241,037		282,674
Repairs and maintenance		36,782		95,108
Professional / Contract		2,704		3,893
Utilities		15,885		16,990
Other		28,651		16,587
Supplies and chemicals		178		241
Settlement fees		15,000		15,000
Total waste collection and treatment	<u>480,000</u>	<u>478,959</u>	<u>1,041</u>	<u>557,198</u>



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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Debt service:				
Principal retirement		\$ 70,370		\$ 70,370
Interest and fees		-		-
Total debt service	<u>\$ 71,000</u>	<u>70,370</u>	<u>\$ 630</u>	<u>70,370</u>
Capital outlay:				
Equipment		88,551		112,422
Total capital outlay	<u>90,000</u>	<u>88,551</u>	<u>1,449</u>	<u>112,422</u>
Total expenditures	<u>651,000</u>	<u>646,393</u>	<u>4,607</u>	<u>748,705</u>
Revenues over (under) expenditures before other financing sources	<u>(216,950)</u>	<u>(83,774)</u>	<u>133,176</u>	<u>(260,653)</u>
Other financing sources (uses):				
Sale of sewer system	156,250	156,250	-	156,250
Fund balance appropriated	60,700	-	(60,700)	-
Total other financing (uses)	<u>216,950</u>	<u>156,250</u>	<u>(60,700)</u>	<u>156,250</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>72,476</u>	<u>\$ 72,476</u>	<u>(104,403)</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues and other financing sources over (under) expenditures		72,476		(104,403)
Collection on long-term receivable		(156,250)		(156,250)
Depreciation		(108,876)		(107,001)
Deferred pension outflows		9,650		(5,060)
Deferred pension inflows		653		64
Pension liability		(18,114)		(305)
Change in accrued vacation		482		514
Purchases of capital assets		88,551		112,422
Debt retirement		70,379		70,370
Change in Net Position		<u>\$ (41,050)</u>		<u>\$ (189,650)</u>

**Town of Oakboro, North Carolina**  
**Schedule of Revenues and Expenditures**  
**Water and Sewer Capital Project Fund**  
**Budget and Actual (Non-GAAP)**  
**From inception through June 30, 2021**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>REVENUES</b>					
Sewer system improvements					
ARP grants	\$ 250,000	\$ -	\$ -	\$ -	\$ (250,000)
NC DOC grant	2,500,000	-	-	-	(2,500,000)
Golden Leaf grant	2,500,000	-	-	-	(2,500,000)
Other - sales tax refund	-	-	-	-	-
Total revenues	<u>5,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,250,000)</u>
<b>EXPENDITURES</b>					
Charlotte Pipe					
Water and sewer system improvements					
Construction and improvements	7,279,021	-	-	-	7,279,021
Technical services	448,600	-	214,186	214,186	234,414
Right of ways	75,000	-	19,678	19,678	55,322
Administration	332,790	-	-	-	332,790
Total expenditures	<u>8,135,411</u>	<u>-</u>	<u>233,864</u>	<u>233,864</u>	<u>7,901,547</u>
ARP grant expenditures					
Water and sewer system improvements					
Construction and improvements	250,000	-	42,091	42,091	207,909
Total expenditures	<u>250,000</u>	<u>-</u>	<u>42,091</u>	<u>42,091</u>	<u>207,909</u>
Revenues under expenditures	<u>(3,135,411)</u>	<u>-</u>	<u>(275,955)</u>	<u>(275,955)</u>	<u>(5,042,091)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from Town	135,411	-	-	-	135,411
Loan proceeds	3,000,000	-	-	-	(3,000,000)
Total other financing sources	<u>3,135,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,864,589)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,955)</u>	<u>\$ (275,955)</u>	<u>\$ (275,955)</u>

**Town of Oakboro, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**General Fund**  
**June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021	\$ -	\$ 732,437	\$ 718,696	\$ 13,741
2020	17,349		7,505	9,844
2019	3,931		701	3,230
2018	3,911		754	3,157
2017	3,179		426	2,753
2016	3,689		442	3,247
2015	2,558		419	2,139
2014	2,801		551	2,250
2013	2,915		899	2,016
2012	2,033		377	1,656
2011	2,064		2,064	-
	<u>\$ 44,430</u>	<u>\$ 732,437</u>	<u>\$ 732,834</u>	<u>\$ 44,033</u>

Reconciliation with revenues:

Taxes-Ad Valorem-General

\$ 732,367

Abatement and adjustments

467

Total collections and credits

\$ 732,834

**Town of Oakboro, North Carolina**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**For the Year Ended June 30, 2021**

	Total Levy				
	Total Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 157,832,927	0.41	\$ 647,115	\$ 647,115	\$ -
Registered motor vehicles	20,810,244	0.41	85,322	-	85,322
Total	<u>178,643,171</u>		<u>732,437</u>	<u>647,115</u>	<u>85,322</u>
Discoveries:					
Current year taxes	-	0.41	-	-	-
Total	<u>178,643,171</u>		<u>732,437</u>	<u>647,115</u>	<u>85,322</u>
Abatements	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Net Levy	<u>\$ 178,643,171</u>		<u>732,437</u>	<u>647,115</u>	<u>85,322</u>
Uncollected taxes at June 30, 2021			<u>13,741</u>	<u>13,741</u>	<u>-</u>
Current year's taxes collected			<u>\$ 718,696</u>	<u>\$ 633,374</u>	<u>\$ 85,322</u>
Percent current year collected			<u>98.12%</u>	<u>97.88%</u>	<u>100.00%</u>

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Town Board  
Town of Oakboro, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oakboro, 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 Oakboro's basic financial statements, and have issued my report thereon dated November 3, 2021.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Eddie Carrick, CPA

A handwritten signature in black ink that reads "Eddie Carrick, CPA". The signature is written in a cursive, flowing style.

Lexington, North Carolina  
November 3, 2021