

# ***TOWN OF OLD FORT, NORTH CAROLINA***

Financial Statements, Management's Discussion and Analysis,  
Supplemental Schedules, Independent Auditors' Report and Compliance Report  
For the Year Ended June 30, 2021

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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## TOWN OF OLD FORT, NORTH CAROLINA

### LIST OF PRINCIPAL OFFICIALS

June 30, 2021

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#### Mayor & Board of Aldermen

Mayor	Rickey Hensley
Aldermen	Andrew Carlton Jamie Grindstaff Iretha Hancock Melvin Lytle, Jr. Wayne Stafford

#### Town Administration

Town Attorney	Larry McMahon
Finance Officer	Renee' Taylor
Police Chief	Melvin Lytle, Jr.
Public Works Director	Melvin Lytle, Jr.

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# TOWN OF OLD FORT, NORTH CAROLINA

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## Table of Contents June 30, 2021

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<u>Exhibit</u>		<u>Page(s)</u>
	<b>Financial Section:</b>	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
	<b>Basic Financial Statements:</b>	
	Government-Wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	14
4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
5	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
7	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	18
8	Statement of Fund Net Position - Proprietary Fund	19
9	Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	20
10	Statement of Cash Flows - Proprietary Fund	21
	Notes to the Financial Statements	22-44
	<b>Required Supplementary Financial Data:</b>	
	Town of Old Fort's Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System	45
	Town of Old Fort's Contributions - Local Government Employees' Retirement System	46

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## TOWN OF OLD FORT, NORTH CAROLINA

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### Table of Contents June 30, 2021

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	<u>Page(s)</u>
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	47
Schedule of Total Pension Liability as a Percentage of Covered Payroll	48
<b><u>Exhibit</u></b>	
<b>Individual Fund Statements and Schedules:</b>	
A-1 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	49-52
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP):	
B-1 Water and Sewer Fund	53-54
<b>Other Schedules:</b>	
C-1 Schedule of Ad Valorem Taxes Receivable	55
C-2 Analysis of Current Tax Levy	56
<b>Compliance:</b>	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	57-58
Schedule of Findings and Responses	59-60
Corrective Action Plan	61

**Lowdermilk Church & Co., L.L.P.**  
***Certified Public Accountants***

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Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Board of Aldermen  
Town of Old Fort, North Carolina

**Report on the Financial Statements**

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

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

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

**Auditors' Responsibility**

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

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

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-11 and 45-48, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2021 on our consideration of the Town of Old Fort, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Old Fort, North Carolina's 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 Old Fort, North Carolina's internal control over financial reporting and compliance.

*Lowmick Church & Co., L.L.P.*

Morganton, North Carolina  
October 29, 2021



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

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

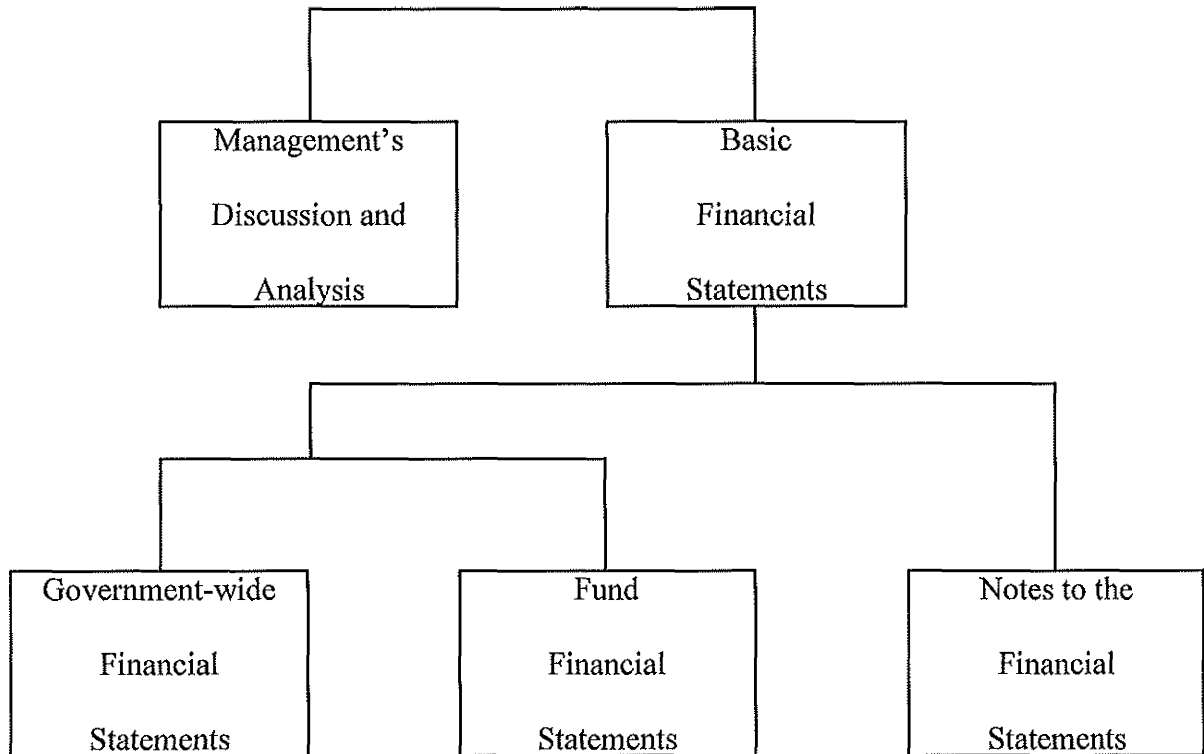
### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Old Fort exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,996,348 (net position).
- The government's total net position increased by \$33,555 due to increases in the governmental and decreases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Old Fort's governmental funds reported combined ending fund balances of \$2,281,352, with a net change of \$99,627 in fund balance. Approximately 7.30 percent of this total amount, or \$166,563, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,114,789 or 183.88 percent of total General Fund expenditures for the fiscal year.
- The Town of Old Fort's total debt increased by \$23,268, or 2.40%, during the current fiscal year. The key factor in this increase was principal payments on debt and an increase in pension related debt.

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

This discussion and analysis is intended to serve as an introduction to the Town of Old Fort'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 Old Fort.

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



Summary----- Detail

**Basic Financial Statements**

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina 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 assets is one way to gauge the Town's financial condition.

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

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

## **Fund Financial Statements**

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

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

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Old Fort's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary information can be found beginning on page 45 of this report.

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

## Government-Wide Financial Analysis

Town of Old Fort's Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$2,409,436	\$2,218,427	\$1,089,937	\$ 995,773	\$3,499,373	\$3,214,200
Capital assets	1,925,034	1,883,235	5,640,958	5,788,273	7,565,992	7,671,508
Deferred outflows of resources	<u>123,356</u>	<u>97,148</u>	<u>17,211</u>	<u>14,342</u>	<u>140,567</u>	<u>111,490</u>
Total assets and deferred outflows of resources	<u>4,457,826</u>	<u>4,198,810</u>	<u>6,748,100</u>	<u>6,798,388</u>	<u>11,205,932</u>	<u>10,997,198</u>
Long-term liabilities outstanding	281,376	233,533	710,883	735,457	992,259	968,990
Other liabilities	119,536	24,786	90,980	38,494	210,516	63,280
Deferred outflows of resources	<u>6,503</u>	<u>2,135</u>	<u>306</u>	<u>-</u>	<u>6,809</u>	<u>2,135</u>
Total liabilities and deferred outflows of resources	<u>407,415</u>	<u>260,454</u>	<u>802,169</u>	<u>773,651</u>	<u>1,209,584</u>	<u>1,034,405</u>
Net position:						
Net investment in capital assets	1,901,758	1,850,274	4,960,458	5,074,773	6,862,216	6,925,047
Restricted	166,563	160,346	-	-	166,563	160,346
Unrestricted	<u>1,982,089</u>	<u>1,927,737</u>	<u>985,479</u>	<u>949,664</u>	<u>2,967,568</u>	<u>2,877,401</u>
Total net position	<u>\$4,050,411</u>	<u>\$3,938,357</u>	<u>\$5,945,937</u>	<u>\$6,024,437</u>	<u>\$9,996,348</u>	<u>\$9,962,794</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Old Fort exceeded liabilities and deferred inflows by \$9,996,348 as of June 30, 2021. The Town's net position decreased by \$33,555 for the fiscal year ended June 30, 2021. However, the largest portion (68.65%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Old Fort uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Old Fort's net

investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Old Fort's net position, \$166,563, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,967,568 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.75%, which is comparable to the statewide average for units without electrical systems of 99.04%.
- Operating grants of \$270,765.
- Governmental activities revenues increased and expenditures increased accordingly.

Town of Old Fort  
Changes in Net Position

Figure 3

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 54,011	\$ 518,706	\$ 572,717	\$ 51,982	\$ 510,243	\$ 562,225
Operating grants and contributions	270,765	-	270,765	304,689	-	304,689
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	455,061	-	455,061	424,574	-	424,574
Other taxes	391,038	-	391,038	364,785	-	364,785
Other	58,456	21,045	79,501	54,749	12,070	66,819
Gain on sale of assets	12,347	-	12,347	-	-	-
Total revenues	<u>1,241,678</u>	<u>539,751</u>	<u>1,781,429</u>	<u>1,200,779</u>	<u>522,313</u>	<u>1,723,092</u>
Expenses:						
General government	547,919	-	547,919	436,704	-	436,704
Public safety	335,822	-	335,822	356,924	-	356,924
Transportation	213,643	-	213,643	195,720	-	195,720
Environmental protection	31,083	-	31,083	33,202	-	33,202
Interest	1,155	-	1,155	1,538	-	1,538
Water and sewer	-	618,251	618,251	-	580,432	580,432
Total expenses	<u>1,129,623</u>	<u>618,251</u>	<u>1,747,873</u>	<u>1,024,089</u>	<u>580,432</u>	<u>1,604,520</u>
Increase (decrease) in net position before transfers	112,054	(78,500)	33,554	176,690	(58,119)	118,571
Transfers	-	-	-	(39,200)	39,200	-
Increase (decrease) in net position	<u>\$ 112,054</u>	<u>\$ (78,500)</u>	<u>\$ 33,554</u>	<u>\$ 137,489</u>	<u>\$ (18,919)</u>	<u>\$ 118,571</u>
Net position, July 1	\$3,938,357	\$6,024,437	\$9,962,794	\$3,800,868	\$6,043,356	\$9,844,224
Increase (decrease) in net position	<u>112,054</u>	<u>(78,500)</u>	<u>33,555</u>	<u>137,489</u>	<u>(18,919)</u>	<u>118,571</u>
Net position - June 30	<u>\$4,050,411</u>	<u>\$5,945,937</u>	<u>\$9,996,348</u>	<u>\$3,938,357</u>	<u>\$6,024,437</u>	<u>\$9,962,794</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$112,054. Key elements of this increase are as follows:

- General revenue increased \$72,794.
- Increase in expenditures in the general government function and transportation.
- Continued efforts to maximize tax collections.
- Contribution of \$25,000.

**Business-type activities:** Business-type activities decreased the Town of Old Fort's net position by \$78,500. Key elements for this decrease are as follows:

- Increase in charges for services during the current year.
- Increase in operating expenditures due to a increase in maintenance costs, supplies and other operating costs.
- No new major industries.
- No substantial change in the customer base.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Old Fort's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Old Fort's financing requirements.

The General Fund is the chief operating fund of the Town of Old Fort. At the end of the current fiscal year, the Town of Old Fort's fund balance available in the General Fund was \$2,213,614, while the total fund balance reached \$2,281,352. The Town currently has an available fund balance of 192.48 percent of General Fund expenditures, while the total fund balance represents 198.37 percent of the same amount.

At June 30, 2021, the governmental funds of the Town of Old Fort reported a combined fund balance of \$2,281,352, with a net increase in fund balance of \$99,627. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

Highlights include the following:

Anticipation of hurricane recovery damages revenue and related expenses and CARES Funds.

To reallocate various expenses among line items.

**Proprietary Funds.** The Town of Old Fort's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$985,479. The total change in net position for this fund was \$(78,500). The change in net position in the Water and Sewer Fund is the result of a slight increase in operating revenues and an increase in expenditures.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Old Fort's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$7,565,992 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- The Town purchased various equipment and vehicles for \$109,773.
- Building renovations for \$74,750.
- The Town sold a piece of land for \$17,000.

**Town of Old Fort's Capital Assets**  
**(Net of Depreciation)**

**Figure 4**

	<b>2021</b>			<b>2020</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 248,041	\$ 5,006	\$ 253,048	\$ 252,694	\$ 5,006	\$ 257,701
Building and improvements	1,407,317	19,468	1,426,785	1,455,679	-	1,455,679
Furniture and equipment	178,880	160,914	339,794	136,248	130,026	266,273
Infrastructure	35,546	-	35,546	38,614	-	38,614
Distributions systems	-	5,455,571	5,455,571	-	5,653,241	5,653,241
Construction in progress	<u>55,250</u>	<u>-</u>	<u>55,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$1,925,034</u></b>	<b><u>\$5,640,958</u></b>	<b><u>\$7,565,992</u></b>	<b><u>\$1,883,235</u></b>	<b><u>\$5,788,273</u></b>	<b><u>\$7,671,507</u></b>

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2021, the Town of Old Fort had total bonded debt outstanding of \$680,500. Of this, \$680,500 is debt backed by the full faith and credit of the Town.

**Town of Old Fort's Outstanding Debt**

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General obligation bonds	\$ -	\$ -	\$680,500	\$713,500	\$680,500	\$713,500
Installment purchase	23,275	32,961	-	-	23,275	32,961
Pension related debt (LGERS)	148,646	126,059	30,383	21,957	179,029	148,016
Pension related debt (LEO)	<u>109,454</u>	<u>74,513</u>	<u>-</u>	<u>-</u>	<u>109,454</u>	<u>74,513</u>
<b>Total</b>	<b><u>\$281,375</u></b>	<b><u>\$233,533</u></b>	<b><u>\$710,883</u></b>	<b><u>\$735,457</u></b>	<b><u>\$992,258</u></b>	<b><u>\$968,990</u></b>

### Town of Old Fort's Outstanding Debt

The Town of Old Fort's total debt increased by \$23,268, (2.40%) during the past fiscal year, primarily due to the principal payments on debt and an increase in pension related debt.



North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Old Fort is \$10,615,325.

Additional information regarding Town of Old Fort's long-term debt can be found in Note III-B-4 beginning on page 41 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:

- Moderate unemployment. McDowell County, which includes the Town of Old Fort, has an unemployment rate of 4.7%. This is below the State average of 4.9%.
- A new Dollar General was built and opened during the year.
- Two empty commercial buildings have been sold and new businesses are anticipated to occupy them in the next year.

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

**Governmental Activities:** Revenues from various sources are expected to increase in the coming year with an overall increase in budgeted revenues to \$953,000. Budgeted expenditures in the General Fund are expected to increase accordingly. The Town's tax rate will remain at 0.32 per \$100 valuation of property. Fees have not increased from the prior year. The Town has not appropriated 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.

**Business-type Activities:** Water and sewer rates in the Town will increase. The Town has budgeted revenues to increase 6.3% from the prior year's budget due to the rate increase. Budgeted expenses are expected to increase accordingly.

### **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, Town of Old Fort, 38 Catawba Avenue, Old Fort, N. C. 28762. You can also call 828-668-4244 or email at [rtaylor@oldfortnc.com](mailto:rtaylor@oldfortnc.com).

## **Basic Financial Statements**

# TOWN OF OLD FORT, NORTH CAROLINA

Exhibit 1

## Statement of Net Position

June 30, 2021

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,269,324	\$ 961,745	\$ 3,231,069
Taxes receivable - net	8,547	-	8,547
Accounts receivable - net	65,339	74,932	140,271
Due from other governments	2,400	-	2,400
Inventory	-	19,660	19,660
Restricted cash and cash equivalents	63,826	33,600	97,426
Total current assets	<u>2,409,436</u>	<u>1,089,937</u>	<u>3,499,373</u>
Capital assets:			
Land, non-depreciable assets and construction in progress	303,291	5,006	308,297
Other capital assets, net of depreciation	1,621,743	5,635,952	7,257,695
Total capital assets	<u>1,925,034</u>	<u>5,640,958</u>	<u>7,565,992</u>
Total assets	<u>4,334,470</u>	<u>6,730,895</u>	<u>11,065,365</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	<u>123,356</u>	<u>17,211</u>	<u>140,567</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	119,536	57,380	176,916
Deposits	-	33,600	33,600
Long-term liabilities:			
Due within one year	10,084	34,500	44,584
Total current liabilities	<u>129,621</u>	<u>125,480</u>	<u>255,100</u>
Net pension liability	148,646	30,383	179,029
Total pension liability	109,454	-	109,454
Due in more than one year	13,191	646,000	659,191
Total liabilities	<u>400,912</u>	<u>801,863</u>	<u>1,202,775</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	<u>6,503</u>	<u>306</u>	<u>6,809</u>
<u>Net Position</u>			
Net investment in capital assets	1,901,758	4,960,458	6,862,216
Restricted for:			
Stabilization by State Statute	67,738	-	67,738
Streets	63,755	-	63,755
Public safety	70	-	70
Cultural and recreational	35,000	-	35,000
Unrestricted	1,982,089	985,479	2,967,569
Total net position	<u>\$ 4,050,411</u>	<u>\$ 5,945,937</u>	<u>\$ 9,996,348</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF OLD FORT, NORTH CAROLINA**

**Exhibit 2**

**Statement of Activities  
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
		Services	Grants and	Grants and	Activities	type	
			Contributions	Contributions		Activities	
Governmental activities:							
General government	\$ 547,919	\$ 3,380	\$ 182,308	\$ -	\$ (362,231)	\$ -	\$ (362,231)
Public safety	335,822	16,309	36,062	-	(283,451)	-	(283,451)
Transportation	213,643	-	27,344	-	(186,299)	-	(186,299)
Environmental protection	31,083	34,321	-	-	3,238	-	3,238
Cultural and recreational	-	-	25,050	-	25,050	-	25,050
Interest on long-term debt	1,155	-	-	-	(1,155)	-	(1,155)
Total governmental activities	<u>1,129,623</u>	<u>54,011</u>	<u>270,765</u>	<u>-</u>	<u>(804,848)</u>	<u>-</u>	<u>(804,848)</u>
Business-type activities							
Water and sewer	618,251	518,706	-	-	-	(99,545)	(99,545)
Total	<u>\$1,747,874</u>	<u>\$ 572,716</u>	<u>\$ 270,765</u>	<u>\$ -</u>	<u>(804,848)</u>	<u>(99,545)</u>	<u>(904,393)</u>
General revenues:							
Taxes:							
Property taxes					455,061	-	455,061
Local option sales tax					186,069	-	186,069
Other taxes					204,969	-	204,969
Unrestricted investment earnings					15,790	33	15,823
Gain on sale of capital assets					12,347	-	12,347
Miscellaneous					42,666	21,012	63,677
Total general revenues, special items and transfers					916,902	21,045	937,947
Changes in net position					<u>\$ 112,054</u>	<u>\$ (78,500)</u>	<u>\$ 33,555</u>
Net position - beginning					\$ 3,938,357	\$ 6,024,437	\$ 9,962,794
Changes in net position					112,054	(78,500)	33,555
Net position - ending					<u>\$ 4,050,411</u>	<u>\$ 5,945,937</u>	<u>\$ 9,996,348</u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 3****Balance Sheet  
Governmental Funds  
June 30, 2021**

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	<b>Major Fund General Fund</b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 2,269,324
Restricted cash and cash equivalents	63,826
Receivables (net):	
Taxes	8,547
Accounts	65,339
Due from other governments	<u>2,400</u>
Total assets	<u><u>\$ 2,409,436</u></u>
<b><u>Liabilities</u></b>	
Liabilities:	
Accounts payable and other current liabilities	<u>\$ 119,536</u>
<b><u>Deferred Inflows of Resources</u></b>	
Property taxes receivable	<u>8,547</u>
Total deferred inflows of resources	<u>8,547</u>
<b><u>Fund Balances</u></b>	
Restricted:	
Stabilization by State statute	67,738
Streets	63,755
Public safety	70
Cultural and recreational	35,000
Unassigned	<u>2,114,789</u>
Total fund balances	<u>2,281,352</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,409,436</u></u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
For the Year Ended June 30, 2021**

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Total governmental fund balances	\$ 2,281,352
Amounts reported for governmental activities in the Statement of Net Position 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	3,634,846
Accumulated depreciation	(1,709,812)
Deferred outflows of resources related to pension are not reported in the funds	123,356
Earned revenues considered deferred inflows of resources in fund statements.	
Property taxes receivable	8,547
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds.	
Long-term debt	(23,276)
Net pension liability	(148,646)
Total pension liability	(109,454)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(6,503)</u>
Net position of governmental activities	<u>\$ 4,050,411</u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 5****Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021**

---

	<b>Major Fund General Fund</b>
<b>Revenues:</b>	
Ad valorem taxes	\$ 458,431
Other taxes and licenses	189,449
Unrestricted intergovernmental	204,969
Restricted intergovernmental	245,481
Investment earnings	15,790
Miscellaneous	<u>118,580</u>
Total revenues	<u>1,232,700</u>
<b>Expenditures:</b>	
General government	547,919
Public safety	358,439
Transportation	202,028
Environmental protection	30,846
Debt service:	
Principal retirement	9,685
Interest	<u>1,155</u>
Total expenditures	<u>1,150,073</u>
Revenues over (under) expenditures	82,627
<b>Other Financing Sources (Uses):</b>	
Sale of capital assets	17,000
Transfers (to) from other funds	<u>-</u>
Net changes in fund balances	99,627
Fund balances, beginning	<u>2,181,725</u>
Fund balances, ending	<u><u>\$ 2,281,352</u></u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 6****Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds \$ 99,627

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

Capital outlay expenditures which were capitalized	121,424
Depreciation expense for governmental assets	(74,972)
Proceeds from sale of fixed assets	(17,000)
Gain (loss) on disposal of fixed assets	12,347

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 29,567

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	(3,370)
--	---------

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 the 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.

Principal payments on long-term debt	9,685
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(65,255)
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Total changes in net position of governmental activities	<u>\$ 112,054</u>
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*The accompanying notes are an integral part of the financial statements.*



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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 7****General Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021**

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	<b>General Fund</b>			<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Final Budget- Positive (Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 398,500	\$ 451,300	\$ 458,431	\$ 7,131
Other taxes and licenses	151,500	175,830	189,449	13,619
Unrestricted intergovernmental	194,000	197,000	204,969	7,969
Restricted intergovernmental	59,000	243,055	245,481	2,426
Investment earnings	11,000	16,000	15,790	(210)
Miscellaneous	48,500	58,500	118,580	60,080
Total revenues	<u>862,500</u>	<u>1,141,685</u>	<u>1,232,700</u>	<u>91,015</u>
<b>Expenditures:</b>				
General government	275,000	534,215	547,919	(13,704)
Public safety	328,310	365,930	358,439	7,491
Transportation	215,800	215,150	202,028	13,122
Environmental protection	32,540	32,540	30,846	1,694
Debt service:				
Principal retirement	9,695	9,695	9,685	10
Interest	1,155	1,155	1,155	-
Total expenditures	<u>862,500</u>	<u>1,158,685</u>	<u>1,150,073</u>	<u>8,612</u>
Revenues over (under) expenditures	-	(17,000)	82,627	99,627
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	-	17,000	17,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	99,627	<u>\$ 99,627</u>
Fund balance, beginning			<u>2,181,725</u>	
Fund balance, ending			<u>\$ 2,281,352</u>	

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 8****Statement of Fund Net Position  
Proprietary Fund  
June 30, 2021**

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	<b><u>Water and Sewer Fund</u></b>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 961,745
Accounts receivable - net	74,932
Inventory	19,660
Restricted cash and cash equivalents	33,600
Total current assets	<u>1,089,937</u>
Capital assets:	
Land, non-depreciable assets and construction in progress	5,000
Other capital assets, net of depreciation	5,635,958
Total capital assets	<u>5,640,958</u>
Total assets	<u>6,730,895</u>
<b><u>Deferred Outflows of Resources</u></b>	
Pension deferrals	<u>17,211</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable and other current liabilities	57,380
Deposits	33,600
General obligation bond - current	34,500
Total current liabilities	<u>125,480</u>
Noncurrent liabilities:	
Net pension liability	30,383
General obligation bond - noncurrent	646,000
Total noncurrent liabilities	<u>676,383</u>
Total liabilities	<u>801,863</u>
<b><u>Deferred Inflows of Resources</u></b>	
Pension deferrals	<u>306</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	4,960,458
Unrestricted	985,479
Total net position	<u>\$ 5,945,937</u>
<i>The accompanying notes are an integral part of the financial statements.</i>	

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 9****Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2021**

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	<b><u>Water and Sewer Fund</u></b>
<b>Operating Revenues:</b>	
Charges for services	\$ 375,203
Other operating revenues	<u>143,503</u>
Total operating revenues	<u>518,706</u>
<b>Operating Expenses:</b>	
Water treatment and distribution	308,409
Waste collection and treatment	67,983
Depreciation	<u>209,874</u>
Total operating expenses	<u>586,265</u>
Operating income (loss)	<u>(67,559)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Miscellaneous	21,012
Interest on investments	33
Interest expense	<u>(31,985)</u>
Total nonoperating revenues (expenses)	<u>(10,941)</u>
Change in net position	(78,500)
Total net position - beginning	<u>6,024,437</u>
Total net position - ending	<u><u>\$ 5,945,937</u></u>

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit 10****Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2021**

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<b>Cash Flows From Operating Activities:</b>	<b>Water and Sewer Fund</b>
Cash received from customers	\$ 507,886
Cash paid for goods and services	(219,699)
Cash paid to or on behalf of employees for services	<u>(95,922)</u>
Net cash provided by (used for) operating activities	<u>192,265</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(62,559)
Principal payments on capital lease, notes and general obligation bonds payable	(33,000)
Interest paid on capital lease, notes and general obligation bonds payable	(32,108)
Other non-operating receipts	<u>21,012</u>
Net cash provided by (used for) capital and related financing activities	<u>(106,655)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest earned on investments	<u>33</u>
Net increase (decrease) in cash and cash equivalents	85,643
Cash and cash equivalents - beginning of year	<u>909,702</u>
Cash and cash equivalents - end of year	<u>\$ 995,345</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (67,559)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	209,874
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,820)
(Increase) decrease in inventory	2,299
(Increase) decrease in deferred outflows of resources - pensions	(2,869)
Increase (decrease) in accounts payable and accrued expenses	50,718
Increase (decrease) in customer deposits	1,890
Increase (decrease) in net pension liability	8,426
Increase (decrease) in deferred inflows of resources - pensions	<u>306</u>
Net cash provided by (used for) operating activities	<u>\$ 192,265</u>

*The accompanying notes are an integral part of the financial statements.*

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## **Notes to the Financial Statements**

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## TOWN OF OLD FORT, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### I. Summary of Significant Accounting Policies

The accounting policies of the Town of Old Fort 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 Old Fort is a municipal corporation that is governed by an elected mayor and a five-member council.

##### B. Basis of Presentation

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

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

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

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



The Town reports the following major governmental funds:

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

The Town does not have any non-major governmental fund.

The Town reports the following major enterprise fund:

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

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

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

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

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

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

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

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

#### **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 any Capital Projects and Special Revenue Funds and the Enterprise Fund Capital Projects Fund, if applicable. The enterprise fund projects are consolidated with their respective operating funds 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, however, the Town Finance Officer is authorized by budget ordinance to transfer appropriations between functional areas within a fund. All amendments must be approved by the Board of Aldermen. The governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

The Town is not required by State law (G.S. 159-26 (d)), to maintain encumbrance accounts which are considered to be "budgetary accounts". As such, the Town does not maintain encumbrance accounts.

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

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

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, (NCCMT). The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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

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

### **3. Restricted Assets**

Customer deposits held by the Town before services are supplied are restricted to the service for which the deposit was collected. Powell Bill Funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash, because it can be expended only for the purposes of expenses associated with forfeited operations or used to finance certain general investigative expenses.

#### **Town of Old Fort Restricted Cash**

##### **Governmental Activities**

##### **General Fund**

##### **Streets**

\$63,756

##### **Public safety**

70

##### **Total governmental activities**

63,826

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

##### **Water and Sewer Fund**

##### **Customer deposits**

33,600

##### **Total restricted cash**

\$97,426

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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020.

5. Inventory

The inventory of the Town is valued at cost (first-in, first-out), which approximates market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of the inventory is expensed when consumed rather than when purchased.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or at estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired, or that received substantial improvements subsequent to July 1, 1980, and are reported at cost. The cost of normal maintenance and repairs that does not add to the value of the assets, or materially extend the assets' lives, is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Deferred Outflows/Inflows of Resources

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

## 8. Long-Term Obligations

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

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

## 9. Compensated Absences

Personnel policies of the Town require all Town employees to use their vacation time by June 15<sup>th</sup> of each year. Any vacation not taken as of June 15<sup>th</sup> is converted into sick time. Unused sick leave does not vest to the employee, and as such, is not paid upon termination. Unused current year's vacation accrual is paid upon termination.

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

## 10. Net Position/Fund Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

**Non-spendable 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.

**Inventories** - the portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**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 non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

**Restricted for Streets** - the 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.

**Restricted for Public Safety** - the portion of fund balance that is restricted by revenue source for drug enforcement. This amount represents the balance of total, unexpended Federal Asset Seizure Funds.

**Restricted for Cultural and Recreational** - the portion of fund balance that is restricted by revenue source for a dog park and trail improvements.

**Committed Fund Balance** - the portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of Town of Old Fort's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Assigned Fund Balance** - the portion of fund balance that Town of Old Fort intends to use for specific purposes.

**Subsequent year's expenditures** - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

**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 Old Fort does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. However, 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.

## **11. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Old Fort's employer contributions are recognized when due, and the Town of Old Fort 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.

### **F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

#### **1. Noncompliance with North Carolina General Statutes**

##### **Excess of Expenditures Over Appropriations**

G.S. 159-28(a) states that all moneys received and expended by a local government or a public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations in the general government of the General Fund. \$13,704 was overspent due to other repairs and improvements. Budget amendments will be adopted when expenditures exceed the budget. This item was not included in the budget.

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$2,893,826 and a bank balance of \$2,890,535. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash funds totaled \$60.

##### 2. Investments

At June 30, 2021, the Town of Old Fort, North Carolina had \$434,610 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.

At June 30, 2021, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	\$434,610	N/A	AAAM

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

*Level of fair value hierarchy:* Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.



*Interest Rate Risk.* The Town has no formal investment policy regarding interest rate risk.

*Credit Risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G. S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2021.

### 3. Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 252,694	\$ -	\$4,653	\$ 248,041
Construction in progress	<u>-</u>	<u>55,250</u>	<u>-</u>	<u>55,250</u>
Total capital assets not being depreciated	<u>252,694</u>	<u>55,250</u>	<u>4,653</u>	<u>303,291</u>
Capital assets being depreciated:				
Buildings and improvements	2,302,220	-	-	2,302,220
Furniture and equipment	796,898	66,174	-	863,072
Infrastructure	<u>166,262</u>	<u>-</u>	<u>-</u>	<u>166,262</u>
Total capital assets being depreciated	<u>3,265,380</u>	<u>66,174</u>	<u>-</u>	<u>3,331,554</u>
Less accumulated depreciation for:				
Buildings and improvements	846,540	48,362	-	894,902
Furniture and equipment	660,652	23,541	-	684,193
Infrastructure	<u>127,648</u>	<u>3,069</u>	<u>-</u>	<u>130,717</u>
Total accumulated depreciation	<u>1,634,840</u>	<u>74,972</u>	<u>-</u>	<u>1,709,812</u>
Total capital assets being depreciated, net	<u>1,630,541</u>	<u>(8,798)</u>	<u>-</u>	<u>1,621,743</u>
Governmental activities capital assets, net	<u>\$1,883,235</u>	<u>\$46,452</u>	<u>\$4,653</u>	<u>\$1,925,034</u>

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

General government	\$48,023
Public safety	20,368
Transportation	6,343
Public works	<u>237</u>
Total depreciation expense	<u>\$74,972</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 5,006	\$ -	\$ -	\$ 5,006
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>5,006</u>	<u>-</u>	<u>-</u>	<u>5,006</u>
Capital assets being depreciated:				
Buildings and improvements	321,190	19,500	-	340,690
Plant and distribution systems	9,905,123	-	-	9,905,123
Furniture and equipment	<u>497,055</u>	<u>43,059</u>	-	<u>540,114</u>
Total capital assets being depreciated	<u>10,723,368</u>	<u>62,559</u>	-	<u>10,785,927</u>
Less accumulated depreciation for:				
Buildings and improvements	321,190	33	-	321,222
Plant and distribution systems	4,251,883	197,670	-	4,449,553
Furniture and equipment	<u>367,030</u>	<u>12,171</u>	-	<u>379,201</u>
Total accumulated depreciation	<u>4,940,101</u>	<u>209,874</u>	-	<u>5,149,976</u>
Total capital assets being depreciated, net	<u>5,783,267</u>	<u>(147,315)</u>	-	<u>5,635,952</u>
Business-type activities capital assets, net	<u>\$5,788,273</u>	<u>\$(147,315)</u>	<u>\$ -</u>	<u>\$5,640,958</u>

## B. Liabilities

### 1. Pension Plan and Postemployment Obligations

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

*Plan Description.* The Town of Old Fort 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 the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement, disability 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers 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. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (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. Effective July 1, 2019, LEOs who complete 25 years of creditable service, with 15 years as an officer, are eligible to retire with partial retirement benefits. 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 creditable 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 North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically, and affirmed annually, by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy, and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2020, all employers made contributions of 10.84% of covered payroll for law enforcement officers and 10.15% for general employees and firefighters. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only. Contributions to the pension plan from the Town of Old Fort was \$35,610 for the year ended June 30, 2021.

*Refunds of Contributions.* Members who have terminated service as contributing members may file an application for a refund of their contributions. By State law, refunds to members include interest (currently 4%, per year), regardless of the number of years of retirement service credit or the reason for separation from service. 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 any other retirement or survivor 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 \$179,029 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.00501%, which was a decrease of 0.00041% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$63,687. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 22,608	\$ -
Changes of assumptions	13,323	-
Net difference between projected and actual earnings on pension plan investments	25,193	-
Changes in proportion, and differences between, Town contributions and proportionate share of contributions	4,681	1,802
Town contributions subsequent to the measurement date	<u>35,610</u>	<u>-</u>
Total	<u><u>\$101,415</u></u>	<u><u>\$1,802</u></u>

\$35,610, reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2022	\$18,424
2023	24,066
2024	14,057
2025	7,456
2026	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$363,230</u>	<u>\$179,029</u>	<u>\$25,945</u>

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to, but not yet receiving, benefits	0
Active plan members	<u>3</u>
Total	<u>3</u>

## 2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB 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	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate used to measure the TPL is the S & P Municipal Bond 20 Year High Grade Rate Index.

Mortality assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

## 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 \$109,454. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$13,472.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 8,155	\$3,457
Changes of assumptions	30,997	1,550
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$39,152</u>	<u>\$5,007</u>

\$-0-, paid as benefits came due subsequent to the measurement date, have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

**Year ending June 30:**

2022	\$7,413
2023	7,511
2024	6,355
2025	5,581
2026	4,779
Thereafter	2,506

*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 one percentage point lower (0.93 percent) or one percentage point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$117,740</u>	<u>\$109,454</u>	<u>\$101,722</u>

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

Beginning balance	\$ 74,513
Service cost	3,630
Interest on the total pension liability	2,429
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(4,078)
Changes of assumptions or other inputs	32,960
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$109,454</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 experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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

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

	<u><b>LGERS</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Pension expense	\$63,687	\$13,472	\$77,159
Pension liability	179,029	109,454	288,483
Proportionate share of the net pension liability	0.00501%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	22,608	8,155	30,763
Changes of assumptions	13,323	30,997	44,320
Net difference between projected and actual earnings on plan investments	25,193	-	25,193
Changes in proportion, and differences between, contributions and proportionate share of contributions	4,681	-	4,681
Benefit payments and administrative costs paid subsequent to the measurement date	35,610	-	35,610
Deferred inflows of resources	-	-	-
Differences between expected and actual experience	-	3,457	3,457
Changes of assumptions	-	1,550	1,550
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	1,802	-	1,802

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

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the Plan. The Town made contributions of \$5,965 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (the "Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000, or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contribution to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Contributions to the pension plan in the current fiscal year	\$ 35,610
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	30,763
Changes of assumptions	44,320
Net difference between projected and actual	25,193
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>4,681</u>
Total	<u>\$140,567</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$8,547
Changes in assumptions	1,550	-
Differences between expected and actual experience	3,457	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>1,802</u>	<u>-</u>
Total	<u>\$6,809</u>	<u>\$8,547</u>

### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town has workers' compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for single occurrence claims in excess of \$250,000 up to \$5 million.

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 does not carry flood insurance, as the Town is not in an area of the State designated as a flood plain.

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

### 4. Long-Term Obligations

#### a. Installment Purchase

In September 2018, the Town entered into \$49,000 of a direct borrowing installment purchase to finance a vehicle. The finance contract requires principal payments beginning in October 2018 with interest of 3.990%.

The vehicle is pledged as collateral for the debt. \$23,275

#### b. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system, and which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. In the event of a default, the Town agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements. Principal and interest requirements are appropriated when due.

\$1,169,000 of direct placement Sanitary Sewer Bond, Series A,  
No. R-1, dated April 7, 1997, bearing interest  
at the rate of 4.50 percent.

Payable June 1, 1997 and annually thereafter on June 1 \$680,500

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

	General Obligation Bonds		Loans Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:						
2022	\$ -	\$ -	\$10,084	\$ 756	\$ 10,084	\$ 756
2023	-	-	10,500	341	10,500	341
2024	-	-	2,691	9	2,691	9
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
Total governmental activities	-	-	<u>23,275</u>	<u>1,106</u>	<u>23,275</u>	<u>1,106</u>
Business-type Activities:						
2022	34,500	30,623	-	-	34,500	30,623
2023	36,000	29,070	-	-	36,000	29,070
2024	37,500	27,450	-	-	37,500	27,450
2025	39,500	25,763	-	-	39,500	25,763
2026	41,000	23,985	-	-	41,000	23,985
2027-2031	232,000	90,630	-	-	232,000	90,630
2032-2036	260,000	35,100	-	-	260,000	35,100
Total business-type activities	<u>680,500</u>	<u>262,620</u>	-	-	<u>680,500</u>	<u>262,620</u>
Total	<u>\$680,500</u>	<u>\$262,620</u>	<u>\$23,275</u>	<u>\$1,106</u>	<u>\$703,775</u>	<u>\$263,726</u>

At June 30, 2021, the Town of Old Fort had bonds authorized, but unissued, of \$0- and a legal debt margin of \$10,615,325.

c. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Net pension liability (LGERS)	\$126,059	\$22,587	\$ -	\$148,646	\$ -
Total pension liability (LEO)	74,513	34,941	-	109,454	-
Direct borrowing installment purchase	<u>32,961</u>	<u>-</u>	<u>9,686</u>	<u>23,275</u>	<u>10,084</u>
Governmental activity - long-term liabilities	<u>\$233,533</u>	<u>\$57,528</u>	<u>\$ 9,686</u>	<u>\$281,375</u>	<u>\$10,084</u>
Business-type activities:					
Direct placement general obligation bonds	\$713,500	\$ -	\$33,000	\$680,500	\$34,500
Net pension liability (LGERS)	<u>21,957</u>	<u>8,426</u>	<u>-</u>	<u>30,383</u>	<u>-</u>
Business-type activities - long-term liabilities	<u>\$735,457</u>	<u>\$ 8,426</u>	<u>\$33,000</u>	<u>\$710,883</u>	<u>\$34,500</u>

**C. Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$1,925,034	\$5,640,958
Less: long-term debt	<u>(23,275)</u>	<u>(680,500)</u>
Net investment in capital assets	<u>\$1,901,758</u>	<u>\$4,960,458</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:

Total Fund Balance - General Fund	\$2,281,352
Less:	
Stabilization by State Statute	67,738
Streets-Powell Bill	63,755
Cultural and Recreational	35,000
Public Safety	70
Appropriated Fund Balance in 2022 Budget	<u>-</u>
Remaining Fund Balance	<u>\$2,114,789</u>

**IV. Jointly Governed Organization**

The Town, in conjunction with four counties and twenty-four other municipalities, established the Isothermal Planning & Development Commission (the "Commission"). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The Town paid membership fees of \$603 to the Commission during the fiscal year ended June 30, 2021.

**V. Related Party Transactions**

The chief of police is an elected member of the Board of Aldermen. Per G.S. 160A-158, this individual can serve in both the capacity as head of a Town department and on the Board of Aldermen. Serving in both capacities is allowed due to the population of the Town of Old Fort being under the 5,000 population threshold. There are no financial transactions other than reasonable compensation paid to him in the position of chief of police.

**VI. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

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

Management has evaluated subsequent events through October 29, 2021, the date on which the financial statements were available to be issued, and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

### **COVID-19 Pandemic**

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Old Fort, North Carolina is not reflected in the financial statements for the year ended June 30, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of October 29, 2021.

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## **Required Supplementary Financial Data**



# TOWN OF OLD FORT, NORTH CAROLINA

## Town of Old Fort's Proportionate Share of Net Pension Liability (Asset) 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>
Town of Old Fort's proportion of the net pension liability (asset) (%)	0.00501%	0.00542%	0.00498%	0.00475%	0.00447%	0.00346%	0.00334%	0.00400%
Town of Old Fort's proportion of the net pension liability (asset) (\$)	\$179,029	\$148,016	\$118,143	\$ 72,567	\$ 94,868	\$ 15,528	\$ (19,698)	\$ 48,215
Town of Old Fort's covered payroll	\$391,512	\$373,122	\$320,981	\$265,023	\$242,630	\$206,197	\$228,543	\$220,640
Town of Old Fort's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.73%	39.67%	36.81%	27.38%	39.10%	7.53%	(8.62)%	21.85%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

\*The amount presented for each fiscal year was determined as of the prior fiscal year ending June 30.

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

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**TOWN OF OLD FORT, NORTH CAROLINA****Town of Old Fort's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years  
Local Government Employees' Retirement System**

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	<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 contributions	\$ 35,610	\$ 36,237	\$ 30,102	\$ 25,015	\$ 19,975	\$ 15,528	\$ 14,891	\$ 16,357
Contributions in relation to the contractually required contributions	<u>35,610</u>	<u>36,237</u>	<u>30,102</u>	<u>25,015</u>	<u>19,975</u>	<u>15,528</u>	<u>14,891</u>	<u>16,357</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Old Fort's covered-employee payroll	\$342,724	\$391,512	\$373,122	\$320,981	\$265,023	\$242,630	\$206,197	\$228,543
Contributions as a percentage of covered employee payroll	10.39%	9.26%	8.07%	7.79%	7.54%	6.40%	7.22%	7.16%

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**TOWN OF OLD FORT, NORTH CAROLINA****Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
Last Five Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 74,513	\$ 60,424	\$ 55,171	\$ 37,425	\$ 33,903
Service cost	3,630	4,391	3,583	3,486	3,348
Interest on the total pension liability	2,429	2,199	1,743	1,445	1,210
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,078)	4,995	2,520	9,229	-
Changes of assumptions or other inputs	32,960	2,504	(2,593)	3,586	(1,036)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$109,454</u>	<u>\$ 74,513</u>	<u>\$ 60,424</u>	<u>\$ 55,171</u>	<u>\$ 37,425</u>

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

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**TOWN OF OLD FORT, NORTH CAROLINA**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
Last Five Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 109,454	\$ 74,513	\$ 60,424	\$ 55,171	\$ 37,425
Covered payroll	137,580	165,310	126,789	159,040	134,969
Total pension liability as a percentage of covered payroll	79.56%	45.07%	47.66%	34.69%	27.73%

Notes to the schedules:

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

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## **General Fund**

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

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit A-1****Page 1 of 4**

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

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	<u>2021</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2020</u>
			<u>(Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ 431,300	\$ 433,441	\$ 2,141	\$ 418,322
Prior years	18,000	22,491	4,491	10,012
Penalties and interest	2,000	2,500	500	1,820
Total	<u>451,300</u>	<u>458,431</u>	<u>7,131</u>	<u>430,154</u>
 Other taxes and licenses:				
Privilege licenses	3,300	3,380	80	1,370
Local option sales tax	<u>172,530</u>	<u>186,069</u>	<u>13,539</u>	<u>163,788</u>
Total	<u>175,830</u>	<u>189,449</u>	<u>13,619</u>	<u>165,158</u>
 Unrestricted intergovernmental:				
Utilities franchise tax	143,000	143,656	656	147,062
Hold harmless	<u>54,000</u>	<u>61,314</u>	<u>7,314</u>	<u>53,935</u>
Total	<u>197,000</u>	<u>204,969</u>	<u>7,969</u>	<u>200,997</u>
 Restricted intergovernmental:				
Powell Bill	29,000	27,344	(1,656)	29,159
Other federal and state grants	<u>214,055</u>	<u>218,137</u>	<u>4,082</u>	<u>270,520</u>
Total	<u>243,055</u>	<u>245,481</u>	<u>2,426</u>	<u>299,679</u>
 Investment earnings	<u>16,000</u>	<u>15,790</u>	<u>(210)</u>	<u>30,595</u>

cont.

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
<b>Revenues (Continued):</b>				
Miscellaneous:				
Rents	\$ 11,000	\$ 11,567	\$ 567	\$ 17,845
Sales of property	-	-	-	5,000
Miscellaneous	-	31,098	31,098	6,319
Donations	-	25,000	25,000	-
McDowell Recycling Program	-	234	234	-
Officer fees	15,000	16,309	1,309	24,257
Garbage collections	32,500	34,321	1,821	26,355
Cemetery lots	-	50	50	-
Total	<u>58,500</u>	<u>118,580</u>	<u>60,080</u>	<u>79,776</u>
Total revenues	<u>1,141,685</u>	<u>1,232,700</u>	<u>91,015</u>	<u>1,206,358</u>
<b>Expenditures:</b>				
General government:				
Administration				
Salaries and wages	112,000	110,413	1,587	105,962
Professional fees	3,500	3,500	-	-
Payroll taxes	9,100	8,755	345	8,069
Group insurance	22,400	22,336	64	20,409
Retirement	9,900	9,618	282	7,969
Postage, phone, bank service charges	4,500	4,196	304	4,510
Utilities	7,000	6,671	329	9,793
Maintenance and repairs	63,250	7,503	55,747	6,874
Election expense	3,945	3,574	371	5,225
Office supplies	10,000	9,951	49	5,497
McDowell County vehicle tax	1,150	1,122	28	815
Auditor	12,000	11,900	100	11,930
Volunteer fire department	-	-	-	14,993
Computer programmer	8,850	8,808	42	8,301
Depot renovation	7,000	6,975	25	5,107
Dues and memberships	3,000	2,851	149	2,551
Insurance and bonds	22,000	22,000	-	19,154
Miscellaneous	7,600	7,553	47	4,997
Chamber of Commerce	-	-	-	3,986
Christmas decorations/lights	1,500	1,422	78	2,411
Donation/fireworks	14,000	13,650	350	13,650
Other repairs and improvements	211,520	229,871	(18,351)	119,233
Capital outlay	-	55,250	(55,250)	-
Total general government	<u>534,215</u>	<u>547,919</u>	<u>(13,704)</u>	<u>381,434</u>
				cont.



	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
<b>Expenditures (Continued):</b>				
Public safety:				
Salaries and wages	\$ 175,247	\$ 172,083	\$ 3,164	\$ 193,504
Payroll taxes	13,160	12,733	427	14,144
Group insurance	19,100	18,505	595	22,579
Retirement	13,300	12,932	368	15,479
401 (K) retirement plan	6,100	5,965	135	8,130
Utilities	11,000	10,621	379	11,798
Maintenance and repairs	25,300	24,374	926	17,023
Automotive supplies	12,000	11,629	371	14,392
Departmental supplies	6,000	5,553	447	3,659
Uniforms	2,000	1,423	577	1,005
Insurance and bonds	16,000	16,000	-	14,000
Drug seizure expense	50	-	50	-
Miscellaneous	500	447	53	160
Capital outlay	<u>66,173</u>	<u>66,174</u>	<u>(1)</u>	<u>-</u>
Total public safety	<u>365,930</u>	<u>358,439</u>	<u>7,491</u>	<u>315,873</u>
Transportation:				
Streets and highways				
Salaries and wages	91,000	89,585	1,415	83,988
Payroll taxes	7,750	7,275	475	6,499
Group insurance	9,200	9,151	49	15,205
Retirement	7,100	7,016	84	7,414
Utilities	19,800	19,243	557	17,091
Maintenance and repairs	11,200	10,599	601	13,771
Automotive supplies	7,000	6,552	448	9,728
Departmental supplies	12,400	11,899	501	10,080
Uniforms	4,000	3,911	89	3,387
Insurance and bonds	16,500	16,500	-	14,500
Miscellaneous	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
	<u>186,150</u>	<u>181,731</u>	<u>4,419</u>	<u>181,662</u>
				cont.

cont.

	2021			
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	2020 <u>Actual</u>
<b>Expenditures (Continued):</b>				
Powell Bill assistance				
Resurfacing/patching streets/sidewalks	\$ 27,000	\$ 19,575	\$ 7,425	\$ -
Engineer or architect fees	2,000	722	1,278	-
Miscellaneous	-	-	-	6,000
	<u>29,000</u>	<u>20,297</u>	<u>8,703</u>	<u>6,000</u>
Total transportation	<u>215,150</u>	<u>202,028</u>	<u>13,122</u>	<u>187,662</u>
Environmental protection:				
Maintenance and repairs	1,500	1,119	381	1,954
County landfill tipping fee	13,500	13,220	280	11,944
Automotive supplies	5,500	5,213	287	5,765
Departmental supplies	2,040	1,293	747	3,302
Insurance and bonds	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total environmental protection	<u>32,540</u>	<u>30,846</u>	<u>1,694</u>	<u>32,965</u>
Debt service:				
Public safety				
Principal retirement	9,695	9,685	10	10,517
Interest	<u>1,155</u>	<u>1,155</u>	<u>-</u>	<u>323</u>
Total debt service	<u>10,850</u>	<u>10,840</u>	<u>10</u>	<u>10,840</u>
Total expenditures	<u>1,158,685</u>	<u>1,150,073</u>	<u>8,612</u>	<u>928,774</u>
Revenues over (under) expenditures	(17,000)	82,627	99,627	277,584
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	17,000	17,000	-	-
Transfers (to) from other funds:				
Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,200)</u>
Net change in fund balance	<u>\$ -</u>	<u>99,627</u>	<u>\$ 99,627</u>	<u>238,384</u>
Fund balance, beginning		<u>2,181,725</u>		<u>1,943,341</u>
Fund balance, ending		<u>\$ 2,281,352</u>		<u>\$ 2,181,725</u>

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## **Enterprise Fund**

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

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

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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit B-1****Page 1 of 2****Water and 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 Fiscal Year Ended June 30, 2020)**

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	<b>2021</b>		<b>Variance Positive (Negative)</b>	<b>2020 Actual</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>		
<b>Revenues:</b>				
Operating revenues:				
Charge for services	\$ 357,000	\$ 375,203	\$ 18,203	\$ 371,555
Other	<u>135,125</u>	<u>143,503</u>	<u>8,378</u>	<u>138,688</u>
Total operating revenues	<u>492,125</u>	<u>518,706</u>	<u>26,581</u>	<u>510,243</u>
Nonoperating revenues:				
Miscellaneous	16,200	21,012	4,812	9,720
Investment earnings	-	33	33	2,350
Total nonoperating revenues	<u>16,200</u>	<u>21,045</u>	<u>4,845</u>	<u>12,070</u>
Budgetary appropriations:				
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>508,325</u>	<u>539,751</u>	<u>31,426</u>	<u>522,313</u>
<b>Expenditures:</b>				
Operating expenses:				
Water treatment and distribution:				
Salaries and benefits	97,400	94,961	2,439	92,831
Utilities	41,700	40,991	709	37,226
Supplies	63,800	65,316	(1,516)	55,675
Maintenance and repairs	71,500	70,403	1,097	54,129
Other operating expenses	31,550	30,876	674	22,919
Capital outlay	63,050	62,559	491	124,162
Increase (decrease) in inventory	-	(2,299)	2,299	16,869
	<u>369,000</u>	<u>362,805</u>	<u>6,195</u>	<u>403,813</u>

cont.

	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
<b>Expenditures (continued):</b>				
Waste collection and treatment:				
Utilities	36,590	32,058	4,532	34,413
Other operating expenses	37,627	35,924	1,703	36,321
Capital outlay	-	-	-	17,414
Debt service:				
Principal retirement	31,500	33,000	(1,500)	31,500
Interest	33,608	31,985	1,623	33,408
	<u>139,325</u>	<u>132,968</u>	<u>6,357</u>	<u>153,056</u>
Total expenditures	<u>508,325</u>	<u>495,774</u>	<u>12,551</u>	<u>556,869</u>
Revenues over (under) expenditures	-	43,977	43,977	(34,556)
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	-	-	-	39,200
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	43,977	<u>\$ 43,977</u>	4,644
<b>Reconciliation of Budgetary Basis (Modified Accrual to Full Accrual):</b>				
Cost of expenditures which were capitalized		62,559		141,576
Increase (decrease) in inventory		(2,299)		16,869
Increase in deferred outflows of resources-pensions		2,869		756
Increase in net pension liability		(8,426)		(5,985)
Decrease in deferred inflows of resources-pensions		(306)		83
Payment of debt principal		33,000		31,500
Depreciation expense		<u>(209,874)</u>		<u>(208,362)</u>
Change in net position		<u>\$ (78,500)</u>		<u>\$ (18,919)</u>

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## **Other Schedules**



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**TOWN OF OLD FORT, NORTH CAROLINA****Exhibit C-1****Schedule of Ad Valorem Taxes Receivable  
June 30, 2021**

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<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$ 452,764	\$ 451,652	\$ 1,112
2019 - 2020	2,575	-	1,230	1,345
2018 - 2019	1,191	-	475	716
2017 - 2018	917	-	174	743
2016 - 2017	1,128	-	276	852
2015 - 2016	411	-	258	153
2014 - 2015	303	-	-	303
2013 - 2014	521	-	-	521
2012 - 2013	908	-	-	908
2011 - 2012	2,290	-	396	1,894
2010 - 2011	1,673	-	1,673	-
	<u>\$ 11,917</u>	<u>\$ 452,764</u>	<u>\$ 456,134</u>	<u>\$ 8,547</u>

**Reconciliation to Revenues**

Taxes - Ad Valorem, General Fund	\$ 458,431
Amount written off for fiscal 2010 - 2011	1,673
Less interest collected	(2,500)
Miscellaneous adjustments	<u>(1,471)</u>
Total collections and credits	<u>\$ 456,134</u>

# TOWN OF OLD FORT, NORTH CAROLINA

Exhibit C-2

## Analysis of Current Tax Levy For the Year Ended June 30, 2021

	City - Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>		
Original levy:					
Property taxes at current year's rate	\$ 130,201,563	0.32	\$ 416,645	\$ 416,645	\$ -
Registered motor vehicles taxed at current year's rate	<u>7,375,625</u>	0.32	<u>23,602</u>	<u>-</u>	<u>23,602</u>
Total	<u>137,577,188</u>		<u>440,247</u>	<u>416,645</u>	<u>23,602</u>
Discoveries	3,947,188	0.32	12,631	12,631	-
Releases-property	<u>(35,625)</u>	0.32	<u>(114)</u>	<u>(114)</u>	<u>-</u>
Total	<u>3,911,563</u>		<u>12,517</u>	<u>12,517</u>	<u>-</u>
Total property valuation	<u>\$ 141,488,751</u>				
Net levy			452,764	429,162	23,602
Unpaid (by taxpayers) taxes at June 30, 2021			<u>(1,112)</u>	<u>(1,112)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 451,652</u>	<u>\$ 428,050</u>	<u>\$ 23,602</u>
Current levy collection percentage			<u>99.75%</u>	<u>99.74%</u>	<u>100.00%</u>

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## **Compliance Section**

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

**Schedule of Findings and Responses**

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**Lowdermilk Church & Co., L.L.P.**  
***Certified Public Accountants***

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

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

To the Honorable Mayor and  
Members of the Board of Aldermen  
Town of Old Fort, North Carolina

We 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, each major fund, and the aggregate remaining fund information of the Town of Old Fort, North Carolina as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Old Fort, North Carolina's basic financial statements and have issued our report thereon dated October 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Old Fort, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Old Fort, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Old Fort, North Carolina's internal control.

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

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

## **Compliance and Other Matters**

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

## **Town of Old Fort, North Carolina's Response to Findings**

Town of Old Fort, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Old Fort, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Morganton, North Carolina  
October 29, 2021

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**TOWN OF OLD FORT, NORTH CAROLINA**

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

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**1. Financial Statement Findings:**

**Significant Deficiencies:**

**Finding: 2021-001:**

Significant Deficiency  
Draft Financial Statements

Criteria: Preparation of the financial statements in accordance with GAAP.

Condition: Lowdermilk Church & Co., L.L.P. (the independent auditors) prepared the draft financial statements for the Town.

Cause: As with most smaller organizations, this becomes necessary due to the cost benefit of either outsourcing or hiring personnel with the expertise to prepare financial statements in conformity with generally accepted accounting principles. The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: The financial statements may not be prepared in accordance with generally accepted accounting principles (GAAP).

Recommendation: The Mayor and the Board of Aldermen should exercise due care in reviewing the financial statements drafted by the external auditor, as the Town is responsible for the accuracy of the audited financial statements.

Views of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 61 of this report.

**Finding : 2021-002**

Significant Deficiency  
Segregation of Duties

Criteria: Duties need to be segregated to provide efficient internal controls.

Condition: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Cause: Limited number of accounting and administrative staff are available to segregate duties.

Effect: Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.

Recommendation: The Mayor and the Board of Aldermen should be engaged in the ongoing review of the financial affairs of the Town to provide oversight.

Views of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 61 of this report.

**Finding: 2021-003**

**Significant Deficiency**

**Excess Expenditures Over Appropriations**

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance, unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended \$13,704 more than appropriated in the annual budget ordinance.

Cause: The Town overspent due to repairs and improvements that had not been budgeted for in the budget ordinance, and a budget amendment was not adopted.

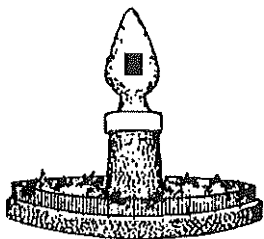
Effect: Moneys were spent that had not been obligated and appropriated.

Cause: The Town overspent due to repairs and improvements that had not been budgeted for in the budget ordinance, and a budget amendment was not adopted.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 61 of this report.





# *Town of Old Fort*

— FOUNDED IN 1870 —

38 CATAWBA AVENUE  
OLD FORT, NORTH CAROLINA 28762

*Office of the Mayor*

## **Corrective Action Plan For the Year Ended June 30, 2021**

### **Finding 2021-001:**

Name of contact person:

Renee' Taylor, Finance Officer

Corrective action:

The Mayor and the Board of Aldermen will exercise due care in reviewing the financial statements drafted by the external auditor, as the Town is responsible for the accuracy of the audited financial statements.

Proposed completion date:

The Town will implement this immediately.

### **Finding 2021-002:**

Name of contact person:

Renee' Taylor, Finance Officer

Corrective action:

The Mayor and the Board of Aldermen will provide ongoing review of the financial affairs of the Town to provide oversight.

Proposed completion date:

The Town will implement this immediately.

### **Finding 2021-003:**

Name of contact person:

Renee' Taylor, Finance Officer

Corrective action:

Management will comply with G.S. 159-28(a), and budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Proposed completion date:

The Town will implement this immediately.