

TOWN OF VASS, NORTH CAROLINA

Basic Financial Statements for the Year Ended
June 30, 2021, Supplemental Schedules, and
Independent Auditor's Report

Town of Vass, North Carolina

Henry E. Callahan, Mayor

Commissioners

George A. Blackwell, Jr.

Alphonso Mosley

Kris Kosem

Matthew A. Callahan

Rora M. Kellis

Mabel Walden, Finance Officer

Town of Vass, North Carolina
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Financial Section

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Independent Auditors Report

To the Honorable Mayor and
Board of Commissioners
Town of Vass, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Vass, North Carolina as of June 30, 2021, and the respective changes in financial position, where appropriate, 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 Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedule of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, the combining and 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, I have also issued my report dated October 27, 2021 on my consideration of Town of Vass' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Vass' internal control over financial reporting and compliance.

Handwritten signature of J. Singh, CPA, P.A. in black ink.

October 27, 2021
Sanford, NC

Management Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

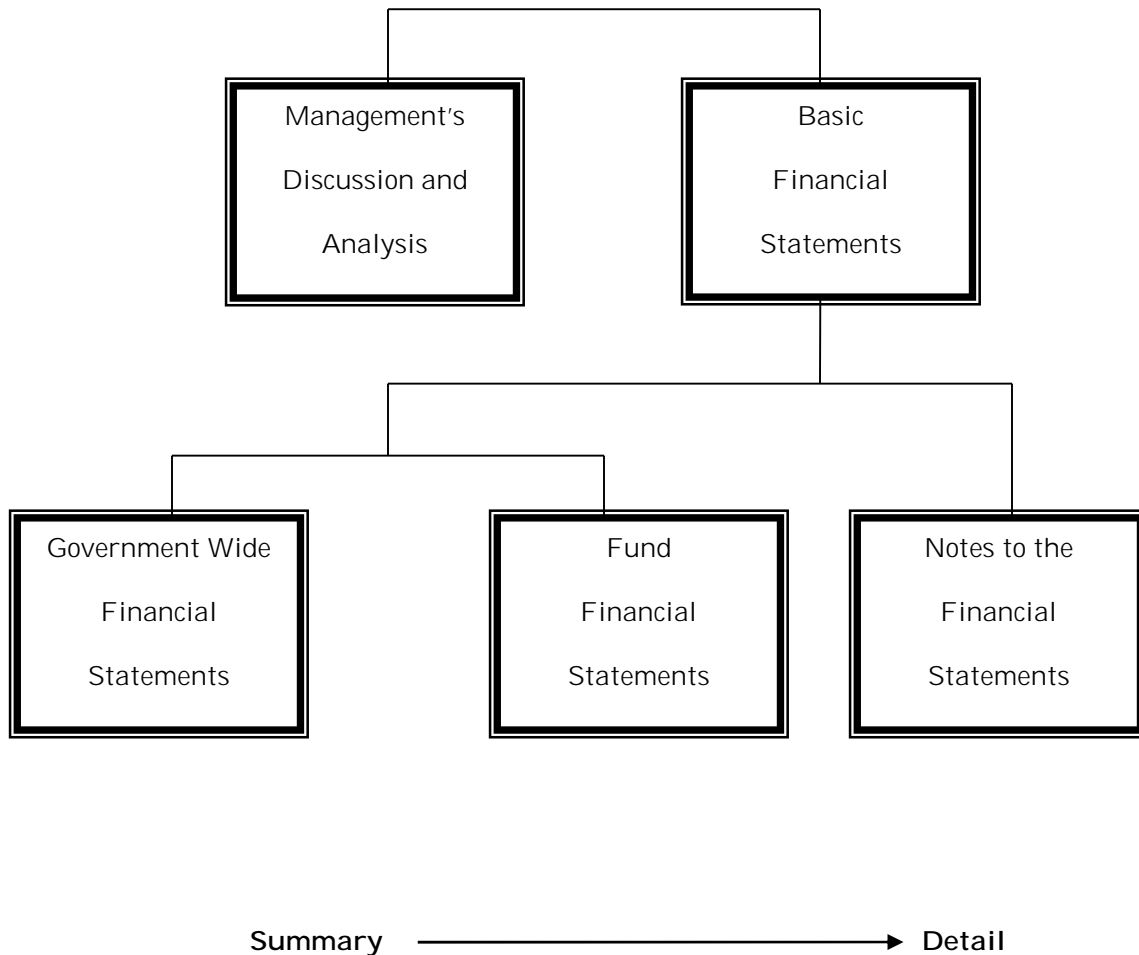
- The assets and deferred outflows of resources of the Town of Vass exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$951,309 (net position).
- The government's total net position increased by \$94,501.
- As of the close of the current fiscal year, the Town of Vass's governmental fund reported ending fund balance of \$777,190 an increase of \$128,482 in comparison with the prior year. Approximately 20.19 percent of this total amount, or \$156,914, is nonspendable and restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$397,973 or 40.01 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Vass'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 Vass.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Pages 13-14) 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 (Pages 15-18) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements, the governmental funds statements; and the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements describe governmental activities and include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales and other taxes, and state and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 13 through 14 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Vass, 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. The Town of Vass has one fund category, the governmental funds.

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

The Town of Vass 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

Management Discussion and Analysis

Town of Vass

Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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 basic financial statements are on pages 19 through 38 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information

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

As year-to-year financial information is accumulated on a consistent basis changes in Net Positions may be observed and used to discuss the changing financial position of the Town as a whole.

The Town of Vass Statement of Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 808,893	\$ 687,452
Capital assets - net of depreciation	694,421	702,486
Deferred outflows of resources	110,473	63,816
Total assets and deferred outflows of resources	1,613,787	1,453,754
Long-term liabilities outstanding	405,919	424,016
Other liabilities	239,166	157,814
Deferred inflows of resources	17,393	15,116
Total liabilities and deferred inflows of resources	\$ 662,478	\$ 596,946
Net position:		
Net investment in capital assets	\$ 288,502	\$ 278,470
Restricted	156,914	255,682
Unrestricted	505,893	322,656
Total net position	\$ 951,309	\$ 856,808

Management Discussion and Analysis

Town of Vass

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 Vass exceeded liabilities and deferred inflows by \$951,309 as of June 30, 2021. The Town's net position increased by \$94,501 for the fiscal year ended June 30, 2021. A large portion (30.31%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Vass uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Vass's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Vass's net position, \$156,914, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$505,893 is unrestricted.

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

- Increased tax revenues of \$40,189
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.38% comparable to the statewide average.
- Increased local option sales tax revenues of approximately \$46,496 due to economic growth in the Town.

**Town of Vass
Changes in Net Position
Figure 3**

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 90,738	\$ 79,850
Operating grants and contributions	177,217	63,689
General revenues:		
Property taxes	504,962	465,807
Grants and contributions not restricted to specific programs	327,595	282,059
Sale of capital asset	22,861	50,000
Other	20,300	10,545
Total revenues	<u>\$ 1,143,673</u>	<u>\$ 951,950</u>
Expenses:		
General government	\$ 222,400	\$ 225,022
Public safety	492,964	428,875
Transportation	128,948	56,446
Economic and physical development	18,189	4,209
Environmental protection	84,783	58,128
Culture and recreation	84,753	68,632
Debt service	17,135	17,852
Total expenses	<u>\$ 1,049,172</u>	<u>\$ 859,164</u>
Increase (Decrease) in net position	94,501	92,786
Net position, beginning of year	<u>856,808</u>	<u>764,022</u>
Net position, end of year	<u><u>\$ 951,309</u></u>	<u><u>\$ 856,808</u></u>

Governmental activities. Governmental activities increased the Town's net position by \$94,501.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Vass. At the end of the current fiscal year, Town of Vass' fund balance available in the general fund was \$494,550, while total fund balance reached \$651,464. The Town of Vass currently has no policy relating to the percentage of general fund expenditures that is to be maintained in available fund balance; however fund balance available is periodically reviewed for sufficiency for unforeseen needs or opportunities in addition to meeting the cash flow needs of the Town. The Town currently has available fund balance of 49.72 percent of general fund expenditures, while total fund balance represents 65.50 percent of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on two 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.

Revenues were more than the budgeted amounts primarily because increases in property tax base and sales tax revenue. In addition, expenditures were held in check and the Town was able to comply with its budgetary requirements.

Capital Assets

Capital assets: The Town of Vass's investment in capital assets as of June 30, 2021, totals \$694,421 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

There were no major capital asset transactions during the year.

**Town of Vass's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities
	2021
Land	\$ 47,691
Buildings	549,318
Other improvements	24,403
Equipment	43,546
Vehicles and Motorized Equipment	29,463
Total	<u>\$ 694,421</u>

Additional information on the Town's capital assets can be found on page 27 of the notes to the Basic Financial Statements.

Long-Term Debt

Promissory Note: On February 2, 2007, the Town executed a \$600,000 promissory note payable to the United States of America Department of Agriculture for the construction of a new municipal building. The note requires thirty annual payments of \$35,232 including interest at the rate of four and one eighth percent per annum.

Additional information on the Town's long-term debt can be found on page 37 of the notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Occupancy rates in office and retail space have remained steady with no significant increases or decreases.
- The Town has seen a slight increase in residential property development and one new large commercial establishment.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The Town has approved a \$1,098,967 general fund budget for fiscal year 2021-2022. The property tax rate remains the same at 51.5 cents per \$100 of assessed valuation.

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 Director of Finance, Town of Vass, Post Office Box 487, Vass, NC 28394. You can also call at (910) 245-4676 or send an email to vassnc@townofvass.com for more information.

Basic Financial Statements

Government Wide Financial Statements

TOWN OF VASS, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents - Unrestricted	\$ 521,804
Receivables:	
Taxes (net)	4,448
Sanitation fees	6,597
Prepaid insurance	4,488
Due from other governments	189,987
Total current assets	<u>727,324</u>
Restricted assets:	
Cash and cash equivalents	81,569
Total restricted assets	<u>81,569</u>
Capital assets:	
Land	47,691
Other capital assets, net of depreciation	646,730
Total capital assets	<u>694,421</u>
Total assets	<u>1,503,314</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals - LGERS	104,781
Pension Deferrals - LEOSSA	5,692
Total deferred outflows of resources	<u>110,473</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	27,259
Debt obligations - current	18,488
Total current liabilities	<u>45,747</u>
Non-current liabilities:	
Net pension liability (LGERS)	178,671
Total pension liability (LEOSSA)	15,964
Compensated absences	17,272
Debt obligations - noncurrent	387,431
Total non-current liabilities	<u>599,338</u>
Total liabilities	<u>645,085</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals - LEOSSA	17,393
Total deferred inflows of resources	<u>17,393</u>
NET POSITION	
Net investment in capital assets (net of depreciation)	288,502
Restricted for:	
Stabilization by State Statute	82,254
Streets	39,428
USDA debt covenant	35,232
Unrestricted	505,893
Total net position	<u>\$ 951,309</u>

TOWN OF VASS, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental activities						
General government	\$ 222,400	\$ 150	\$ -	\$ -	\$ (222,250)	\$ (222,250)
Public Safety	492,964	612	-	-	(492,352)	(492,352)
Transportation	128,948	-	29,068	-	(99,880)	(99,880)
Economic and physical development	18,189	14,685	-	-	(3,504)	(3,504)
Environmental protection	84,783	74,516	148,149	-	137,882	137,882
Cultural and recreational	84,753	775	-	-	(83,978)	(83,978)
Debt Service - Interest	17,135	-	-	-	(17,135)	(17,135)
Total governmental activities	<u>\$ 1,049,172</u>	<u>\$ 90,738</u>	<u>\$ 177,217</u>	<u>\$ -</u>	<u>(781,217)</u>	<u>\$ (781,217)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes					504,962	
Grants and contributions not restricted to specific programs					327,595	
Unrestricted investment earnings					905	
Miscellaneous					19,395	
Extraordinary item - sale of capital asset					22,861	
Total general revenues					<u>875,718</u>	
Change in net position					94,501	
Net position, beginning					856,808	
Net position, ending					<u>\$ 951,309</u>	

Fund Financial Statements

TOWN OF VASS, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds		Non-Major	Total
	General Fund	Environmental Protection	Capital Projects	Governmental Funds
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 521,804	\$ -	\$ -	\$ 521,804
Restricted	74,661	-	6,908	81,569
Receivables:				
Taxes (net)	4,448	-	-	4,448
Sanitation fees	6,597	-	-	6,597
Prepaid insurance	4,488	-	-	4,488
Due from other governments	64,261	125,726	-	189,987
Due from other funds	6,908	-	-	6,908
Total assets	<u>\$ 683,167</u>	<u>\$ 125,726</u>	<u>\$ 6,908</u>	<u>\$ 815,801</u>
LIABILITIES				
Accounts payable and accrued liabilities	27,255	-	-	27,255
Due to other funds	-	-	6,908	6,908
Total liabilities	<u>27,255</u>	<u>-</u>	<u>6,908</u>	<u>34,163</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	<u>4,448</u>	<u>-</u>	<u>-</u>	<u>4,448</u>
Total deferred inflows of resources	<u>4,448</u>	<u>-</u>	<u>-</u>	<u>4,448</u>
FUND BALANCES				
Restricted:				
Stabilization by State Statute	82,254	-	-	82,254
Streets	39,428	-	-	39,428
USDA debt covenant	35,232	-	-	35,232
Assigned				
Subsequent years expenditures	96,577	-	-	96,577
American Rescue Plan Funding	-	125,726	-	125,726
Unassigned	<u>397,973</u>	<u>-</u>	<u>-</u>	<u>397,973</u>
Total fund balances	<u>651,464</u>	<u>125,726</u>	<u>-</u>	<u>777,190</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 683,167</u>	<u>\$ 125,726</u>	<u>\$ 6,908</u>	<u>\$ 815,801</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with Net Positions- governmental activities:				
Fund balance as reported in the balance sheet - governmental funds				\$ 777,190
Amounts reported for governmental activities in the statement of Net Positions are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				694,421
Deferred outflows of resources are not reported in the funds				80,265
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position				30,204
Compensated absences not expected to be materially liquidated with expendable available resources				(17,272)
Liabilities for earned revenues considered deferred inflows of resources in fund statements				4,448
Deferred inflows of resources related to pensions are not reported in the funds				(17,393)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds				(405,919)
Net pension liability (LGRS)				(178,671)
Total pension liability (LEOSSA)				<u>(15,964)</u>
Net position of governmental activities				<u>\$ 951,309</u>

TOWN OF VASS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds		Non-Major	Total
	General Fund	Environmental Protection	Capital Projects Fund	Governmental Funds
REVENUE				
Ad valorem taxes	\$ 506,148	\$ -	\$ -	\$ 506,148
Unrestricted intergovernmental	327,595	-	-	327,595
Restricted intergovernmental	29,691	125,726	21,800	177,217
Permits and fees	14,685	-	-	14,685
Sales and Services	76,053	-	-	76,053
Investment earnings	905	-	-	905
Miscellaneous	19,395	-	-	19,395
Total Revenues	974,472	125,726	21,800	1,121,998
EXPENDITURES				
Current:				
General government	205,238	-	-	205,238
Public Safety	433,792	-	-	433,792
Economic and physical development	18,189	-	-	18,189
Transportation	131,931	-	-	131,931
Environmental protection	62,138	-	21,800	83,938
Cultural and Recreational	108,058	-	-	108,058
Debt service	35,232	-	-	35,232
Total expenditures	994,578	-	21,800	1,016,378
Revenues over (under) expenditures	(20,106)	125,726	-	105,620
Other financing sources				
Sale of capital asset	22,861	-	-	22,861
Fund balance, beginning of year	648,709	-	-	648,709
Fund Balance, end of year	\$ 651,464	\$ 125,726	\$ -	\$ 777,190

TOWN OF VASS, NORTH CAROLINA
RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds		\$ 128,481
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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal. This is the amount by which depreciation exceeded capital outlay in the current period.		(8,065)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		30,204
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.		
Principal paid on long-term debt		18,097
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(6,189)	
Pension expense	<u>(66,841)</u>	(73,030)
Some revenues reported in the statement of activities do not provide current financial resources in governmental funds.		<u>(1,186)</u>
Total changes in net position of governmental activities		<u>\$ 94,501</u>

TOWN OF VASS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 489,416	\$ 489,416	\$ 506,148	\$ 16,732
Unrestricted intergovernmental	231,590	281,590	327,595	46,005
Permits and fees	6,500	11,500	14,685	3,185
Restricted intergovernmental	34,393	34,393	29,691	(4,702)
Sales and services	81,388	81,388	76,053	(5,335)
Investment earnings	892	892	905	13
Other general revenues	-	3,000	19,395	16,395
Total revenues	844,179	902,179	974,472	72,293
EXPENDITURES				
Current:				
General government	204,825	226,825	205,238	21,587
Public safety	435,524	464,941	433,792	31,149
Economic and physical development	15,120	20,620	18,189	2,431
Transportation	89,758	135,608	131,931	3,677
Environmental protection	69,683	74,683	62,138	12,545
Cultural and recreational	92,784	109,284	108,058	1,226
Debt service	185,232	35,232	35,232	-
Total expenditures	1,092,926	1,067,193	994,578	72,615
Revenues over (under) expenditures	(248,747)	(165,014)	(20,106)	144,908
Other financing sources:				
Loan proceeds-Moore County	125,000	-	-	-
Sale of capital asset	-	-	22,861	22,861
Total other financing sources	125,000	-	22,861	22,861
Fund balance appropriated	123,747	165,014	-	165,014
Net change in fund balance	\$ -	\$ -	2,755	\$ 2,755
Fund balance, beginning			648,709	
Fund balance, ending			\$ 651,464	

Notes to the Financial Statements

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

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Vass 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 Vass is a municipal corporation, which is governed by an elected mayor and five-member board of commissioners. As required by generally accepted accounting principles the Town would include any component unit for which it is financially accountable. For the year ended June 30, 2021, no component units were included in the basic financial statements.

IV. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. For the year ended June 30, 2021, the town had no business type activities.

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

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

The Town reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted an Economic Development Fund for infrastructure improvements. Under GASB 54 guidance the Economic Development Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

COVID-19 is not expected to have a significant impact on the entity. Management has determined that there is no material uncertainty that casts doubts on the entity's ability to continue as a going

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

concern. It expects that COVID-19 might have some impact, though not significant, for example, in relation to future performance, or the effects on some future asset valuations.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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 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.

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 in general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town of Vass are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Vass because the tax is levied by Carolina 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. Under the terms of grant agreements, the Town of Vass funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 Special Revenue (Capital Reserve) Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for multiyear funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Use of Estimates

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

F. 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments (including restricted assets) are essentially demand deposits and are considered cash and cash equivalents.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

3. Restricted Assets

During the year ended June 30, 2007, the Town financed the construction of a new municipal building by obtaining a loan from the United States of America Department of Agriculture. As a condition of the loan the Town was required to establish a reserve account and make monthly deposits of \$293.60 to that account until the reserve account has an amount equal to one full annual payment of \$35,232. Instead of making the monthly deposits, the Town elected to fully fund the reserve account in a prior year by making a single deposit of \$35,232. Powell Bill Funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Vass Restricted Cash

Governmental Activities:

Streets (Powell Bill Funds)	\$ 39,429
USDA required reserve	<u>35,232</u>
Total Restricted Cash	<u>\$ 74,661</u>

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

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated and is determined primarily by the age of the receivable and managements opinion of its collectibility.

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: Buildings, improvements, furniture and equipment, and vehicles, \$5,000. Donated capital assets received prior to June 15, 2018 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2018 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure capitalization cost is \$100,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially expend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	20
Vehicles	4
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 contributions made to the pension plan in the 2021 fiscal year that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has certain items that meet the criterion for this category – property taxes receivable and pension deferrals.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

9. Compensated Absences

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

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

10. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as net invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or law 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 government fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute G.S. 159-8(a).

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

USDA debt covenant – Portion of fund balance restricted as a condition of a USDA loan.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Vass'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

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Economic Development – portion of fund balance assigned by the Board for Economic Development.

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

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

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

The Town of Vass has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city 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.

The Town of Vass has not adopted a minimum fund balance policy for the general fund.

11. Defined Benefit Cost-Sharing Plans

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

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$603,373 and a bank balance of \$618,465. The Town maintains cash balances at one financial institution located in North Carolina. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$100.

2. Receivables – Due from other governmental agencies

a. At June 30, 2021 amounts due from other governmental agencies by source consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Federal:		
American Rescue Plan Grant	\$ -	\$ 125,726
State:		
Solid waste disposal tax	154	-
Local option sales tax	47,322	-
Sales and gas tax refunds	5,238	-
Moore county:		
Property tax collections	11,547	-
Total	<u>\$ 64,261</u>	<u>\$ 125,726</u>

b. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

	<u>General Fund</u>
Taxes receivable	<u>\$ 4,448</u>
Total	<u>\$ 4,448</u>

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

3. Capital Assets

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

	Beginning Balances	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,691	\$ -	\$ -	\$ 47,691
Total Capital assets not being depreciated	47,691	-	-	47,691
Capital assets being depreciated:				
Buildings	789,184	-	-	789,184
Other improvements	114,453	-	-	114,453
Equipment	48,804	34,485	20,466	62,823
Vehicles and motorized equipment	243,293	9,400	96,391	156,302
Total capital assets being depreciated	1,195,734	43,885	116,857	1,122,762
Less accumulated depreciation for:				
Buildings	223,860	16,006	-	239,866
Other improvements	83,400	6,650	-	90,050
Equipment	36,849	2,894	20,466	19,277
Vehicles and motorized equipment	196,830	26,400	96,391	126,839
Total accumulated depreciation	540,939	51,950	116,857	476,032
Total capital assets being depreciated, net	654,795	(8,065)	-	646,730
Governmental activity capital assets, net	\$ 702,486	\$ (8,065)	\$ -	\$ 694,421

Depreciation expense was charges to functions/programs as follows:

General government	\$ 9,074
Public safety	31,088
Transportation	4,486
Cultural and recreational	7,302
Total depreciation expense	<u>\$ 51,950</u>

B. Liabilities

1. Payables

Payables to vendors at the government-wide level at June 30, 2021 were as follows:

General Fund	<u>\$ 27,255</u>
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TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2. Pension Plan Obligations and postemployment obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Vass 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 Trustee, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27600-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contributions provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Vass employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Vass's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.32% for general employees and firefighters, actuarially determined as an amount that,

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Vass were \$30,204 for the year ended June 30, 2021.

Refunds of Contributions – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported as a liability of \$178,671 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was .00500%, which was an increase of 0.00135% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of \$65,747. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,563	\$ -
Net difference between projected and actual earnings on pension plan investments	25,143	-
Changes in assumptions	13,297	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,577	-
Town contributions subsequent to the measurement date	30,201	-
Total	<u>\$ 104,781</u>	<u>\$ -</u>

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

\$30,201 reported as deferred outflows of resources related to pensions resulting from Town contribution subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	21,999
2023	27,418
2024	17,722
2025	7,441
2026	-
Thereafter	-

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 362,505	\$ 178,671	\$ 25,893

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

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

b. Law Enforcement Officers Special Separation Allowance

i. Plan Description.

The Town of Vass administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>4</u>
Total	<u><u>4</u></u>

ii. 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 following criteria which are outlined in GASB Statements 73.

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

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

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

iv. 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. No 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 \$15,964. 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 incorporation the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$1,094.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 180	\$ 16,798
Changes of assumptions	5,512	595
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 5,692	\$ 17,393

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized as pension expense, as follows:

Year ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) - (b)
2022	\$ 1,215	\$ 4,820	\$ (3,605)
2023	1,126	4,687	(3,561)
2024	850	4,156	(3,306)
2025	850	1,235	(385)
2026	705	1,049	(344)
Thereafter	946	1,446	(500)
Totals	5,692	17,393	(11,701)

There were no benefits and no administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 17,645	\$ 15,964	\$ 14,420

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

	2021
Beginning balance	\$ 13,937
Service Cost	4,245
Interest on the total pension liability	454
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	(7,740)
Changes of assumptions or other inputs	5,068
Benefits payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 15,964</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the prior year period ending December 31, 2019.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 65,747	\$ 1,094	\$ 66,841
Pension Liability	178,671	15,964	194,635
Proportionate share of the net pension liability	0.00500%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	22,563	(7,740)	14,823
Changes of assumptions	13,297	5,068	18,365
Net difference between projected and actual earnings on plan investments	25,143	-	25,143
Changes in proportion and differences between contributions and proportionate share of contributions	13,577	-	13,577
Benefit payments and administrative costs paid subsequent to the measurement date	30,201	-	30,201
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$9,305 for the reporting year. No amounts were forfeited.

The Town has also elected for all permanent full-time employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Town Contributes 5 percent

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

of the employee's compensation to the plan and employees may make voluntary contributions. For employees not engaged in law enforcement the Town made contributions of \$4,751 for the year.

d. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town has complied with changes in laws which govern the Town's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the Town's Deferred Compensation Plan is not reported within a Town Agency Fund.

Employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$1,405 from employees.

e. Other Postemployment Benefits

The Town has also elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants and the audited financial statements are available to the Town upon request.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The Town carries commercial coverage for all other risks of loss including fidelity bonds of \$50,000 on the Town finance officer and tax collector. 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. No other employees have access to funds.

4. Long-Term Obligations

a. Promissory Note

On February 2, 2007 the Town executed a \$600,000 promissory note payable to the United States of America Department of Agriculture acting through Rural Development, for the construction of a New Town Hall Municipal Building.

The note requires thirty annual payments of \$35,232, including interest at the rate of four and one eighth percent (4.125%) per annum. The note is collateralized by a deed of trust on the new municipal building, and, "All the rents, revenues fees, charges, assessments, all income from whatever source derived, accounts receivable, other charges in action of whatever nature and service charges in connection with the operation of the facilities of the Town".

Annual requirements to retire this debt are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 18,488	\$ 16,744	\$ 35,232
2023	19,250	15,982	35,232
2024	20,045	15,187	35,232
2025	20,871	14,361	35,232
2026	21,732	13,500	35,232
2027 - 2031	122,871	53,289	176,160
2032 - 2036	150,392	25,768	176,160
2037	32,269	1,331	33,600
Total	<u>\$ 405,919</u>	<u>\$ 156,160</u>	<u>\$ 562,080</u>

b. Changes in Long-Term Debt

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

	Balance 6/30/2020	Increases	Decreases	Balance 6/30/2021
Promissory note	\$ 424,016	\$ -	\$ 18,097	\$ 405,919
Compensated absences	11,083	11,172	4,984	17,271
Net Pension liability (LGRS)	99,679	78,992	-	178,671
Total pension liability (LEO)	<u>13,937</u>	<u>2,027</u>	<u>-</u>	<u>15,964</u>
Total	<u>\$ 548,715</u>	<u>\$ 92,191</u>	<u>\$ 23,081</u>	<u>\$ 617,825</u>

At June 30, 2021 the Town's legal debt margin is \$7,952,916.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

III. 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	\$ 651,464
Less:	
Stabilization by State Statute	(82,254)
Streets - Powell Bill	(39,428)
USDA debt covenant	(35,232)
	<hr/>
Remaining Fund Balance	<u><u>\$ 494,550</u></u>

IV. RELATED PARTY TRANSACTIONS

At a Town Board meeting on December 14, 2020, the Board of Commissioners unanimously approved a motion of exempting Callahan Surveying from the provisions of G.S. Chapter 143, Article 3D relating to the Procurement of Architectural, Engineering and Surveying Services. Callahan Surveying is owned by Matthew A. Callahan, a Town of Vass Board of Commissioners member, and this Commissioner is also the brother of the Mayor of the Town of Vass. During the year ended June 30, 2021. The Town paid Matthew A. Callahan \$825 for Surveying Services.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. 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 basic financial statements for the refund of grant moneys.

VI. DATE OF MANAGEMENT'S REVIEW

The Town has evaluated subsequent events through October 27, 2021, the date the financial statements were available to be issued.

Required Supplemental Financial Data

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

- Schedule of Proportionate share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions of Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

TOWN OF VASS, NORTH CAROLINA
TOWN OF VASS PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS*

	LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM							
	2021	2020	2019	2018	2017	2016	2015	2014
Vass's proportion of the net pension liability (asset) (%)	0.00500%	0.00365%	0.00373%	0.00369%	0.00374%	0.00397%	0.00350%	0.00370%
Vass's proportion of the net pension liability (asset) (\$)	\$ 178,671	\$ 99,679	\$ 88,488	\$ 56,375	\$ 70,737	\$ 17,817	\$ (20,641)	\$ 44,599
Vass's covered-employee payroll	\$ 283,230	\$ 259,894	\$ 251,167	\$ 242,270	\$ 194,046	\$ 185,239	\$ 202,455	\$ 186,102
Vass's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	63.08%	38.35%	35.23%	23.27%	36.45%	9.62%	(10.20%)	23.96%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

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

TOWN OF VASS, NORTH CAROLINA
TOWN OF VASS' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS

	LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 30,204	\$ 24,696	\$ 20,847	\$ 19,461	\$ 19,088	\$ 13,675	\$ 13,493	\$ 14,664
Contributions in relation to the contractually required contribution	30,204	24,696	20,847	19,461	19,088	13,675	13,493	14,664
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Vass's covered payroll	\$ 283,230	\$ 259,894	\$ 251,167	\$ 242,270	\$ 245,235	\$ 194,046	\$ 185,239	\$ 202,455
Contributions as a percentage of covered payroll	10.66%	9.50%	8.30%	8.03%	7.78%	7.05%	7.28%	7.24%

TOWN OF VASS, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS

	2021	2020	2019	2018	2017
Beginning balance	\$ 13,937	\$ 9,247	\$ 23,739	\$ 21,605	\$ 19,387
Service Cost	4,245	3,357	3,586	2,328	2,369
Interest on the total pension liability	454	337	750	834	692
Difference between expected and actual experience	(7,740)	268	(18,120)	(3,129)	-
Changes of assumptions or other inputs	5,068	728	(708)	2,101	(843)
Ending balance of the total pension liability	<u>\$ 15,964</u>	<u>\$ 13,937</u>	<u>\$ 9,247</u>	<u>\$ 23,739</u>	<u>\$ 21,605</u>

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

TOWN OF VASS, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS

	2021	2020	2019	2018	2017
Total pension liability	\$ 15,964	\$ 13,937	\$ 9,247	\$ 23,739	\$ 21,605
Covered payroll	211,192	172,377	164,628	156,725	161,117
Total pension liability as a percentage of covered payroll	7.56%	8.09%	5.62%	15.15%	13.41%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Major Governmental Funds

General Fund

The general fund accounts for resources traditionally associated with government that is not required to be accounted for in other funds.

Special Revenue Fund

The Special Revenue fund is used to account funding received from the American Rescue Plan for infrastructure improvement costs (Environmental Protection).

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 508,785	
Prior year		1,429	
Penalties, interest, and discounts		(4,066)	
Total	489,416	506,148	16,732
Unrestricted intergovernmental:			
Local option sales tax		265,319	
Utility franchise tax		46,246	
Video programming tax		5,483	
Telecommunications tax		6,540	
Beer and wine tax		3,475	
Mixed beverage		532	
Total	281,590	327,595	46,005
Restricted intergovernmental:			
State of North Carolina:			
Powell Bill allocation		29,068	
Solid waste disposal tax		623	
Total	34,393	29,691	(4,702)
Permits and fees:			
Permits and applications		14,685	
Total	11,500	14,685	3,185
Sales and services:			
Trash collections		74,516	
Community room rental		150	
Police		612	
Recreation		775	
Total	81,388	76,053	(5,335)
Investment earnings	892	905	13
Miscellaneous:			
Contributions and special events		14,696	
Zoning compliance fines		1,099	
Other		3,600	
Total	3,000	19,395	16,395
Total Revenues	902,179	974,472	72,293

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Governing body:			
Salaries and employee benefits		32,439	
Other operating expenditures		2,161	
Total	45,775	34,600	11,175
Administration:			
Salaries and employee benefits		77,555	
Other operating expenditures		93,083	
Total	181,050	170,638	10,412
Total general government	226,825	205,238	21,587
Public safety:			
Police:			
Salaries and employee benefits		275,269	
Other operating expenditures		67,743	
Total	374,089	343,012	31,077
Fire:			
Fire protection contract		90,780	
Total	90,852	90,780	72
Total Public Safety	464,941	433,792	31,149
Economic and Physical Development:			
Salaries and employee benefits		16,966	
Other operating expenditures		1,223	
Total	20,620	18,189	2,431
Transportation:			
Streets repair and construction:			
Salaries and employee benefits		24,789	
Other operating expenditures		97,742	
Capital outlay		9,400	
Total	135,608	131,931	3,677
Environmental protection:			
Sanitation:			
Salaries and employee benefits		6,179	
Other operating expenditures		55,959	
Total	74,683	62,138	12,545
Culture and recreation:			
Recreation:			
Salaries and employee benefits		30,448	
Other operating expenditures		38,625	
Capital outlay		34,485	
Total	104,784	103,558	1,226

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Libraries:			
Other operating expenditures		4,500	
Total	4,500	4,500	-
Total culture and recreation	109,284	108,058	1,226
Debt service			
Principal		18,097	
Interest		17,135	
Total	35,232	35,232	-
Total expenditures	1,067,193	994,578	72,615
Revenues over (under) expenditures	(165,014)	(20,106)	(144,908)
Other financing sources:			
Sale of capital asset	23,417	22,861	(556)
Fund balance appropriated	141,597	-	(141,597)
Net change in fund balance	\$ -	2,755	\$ (3,311)
Fund balance:			
Beginning of year, July 1		648,709	
End of year, June 30		\$ 651,464	

TOWN OF VASS, NORTH CAROLINA
SPECIAL REVENUE FUND - ENVIRONMENTAL PROTECTION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (negative)
Revenues:					
Restricted Intergovernmental - American Rescue Plan Funding	\$ 125,726	\$ -	\$ 125,726	\$ 125,726	\$ -
Expenditures:	125,726	-	-	-	125,726
Revenues over (under) expenditures	-	-	125,726	125,726	125,726
Net change in fund balance	\$ -	\$ -	125,726	\$ 125,726	\$ 125,726
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 125,726		

Non-Major Capital Project Fund

Community Development Block Grant Fund – Housing Rehabilitation

TOWN OF VASS, NORTH CAROLINA
COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT – HOUSING
REHABILITATION
SCHEDULE OF REVENUES, EXPENDITURE AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

ASSETS

Cash	\$ 6,908
Total assets	<u>6,908</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Due to General Fund	<u>6,908</u>
Total liabilities	<u>6,908</u>

Fund balances:

-

Total liabilities and fund balances

\$ 6,908

TOWN OF VASS, NORTH CAROLINA
COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT – HOUSING
REHABILITATION
SCHEDULE OF REVENUES, EXPENDITURE AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (negative)
Revenues:					
Restricted Intergovernmental					
Federal	\$ 550,000	\$ 1,473	\$ 21,800	\$ 23,273	\$ (526,727)
Total revenues	550,000	1,473	21,800	23,273	(526,727)
Expenditures:					
Environmental Protection					
Housing Rehabilitation	495,000	-	-	-	495,000
Administration	55,000	1,473	21,800	23,273	31,727
Total expenditures	550,000	1,473	21,800	23,273	526,727
Revenues over (under) expenditures	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ -		

Other Supplemental Schedules

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance 6/30/2021</u>
2020-2021	\$ -	\$ 457,337	\$ 454,153	\$ 3,184
2019-2020	3,010	-	1,106	1,904
2018-2019	1,600	-	164	1,436
2017-2018	1,522	-	160	1,362
2016-2017	635	-	-	635
2015-2016	650	-	-	650
2014-2015	756	-	-	756
2013-2014	1,021	-	-	1,021
2012-2013	895	-	-	895
2011-2012	505	-	-	505
2010-2011	940	-	940	-
	<u>\$ 11,534</u>	<u>\$ 457,337</u>	<u>\$ 456,523</u>	<u>12,348</u>

Less: allowance for uncollectible accounts:

General Fund 7,900

Ad valorem taxes receivable - net \$ 4,448

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 506,148

Reconciling items:

Interest Collected (1,690)

Discounts allowed 5,742

Taxes written off 940

Subtotal 4,992

Total collections and credits \$ 511,140

TOWN OF VASS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Town - Wide		Total Levy	Total Levy	
	Property Valuation	Rate		Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current rate	101,317,282	0.515	\$ 521,784	\$ 467,152	\$ 54,632
Discoveries - current and prior years	279,612		1,440	1,440	-
Releases	<u>(2,185,437)</u>		<u>(11,255)</u>	<u>(11,255)</u>	<u>-</u>
Total property valuation	<u>\$ 99,411,456</u>				
Net levy			511,969	457,337	54,632
Unpaid (by taxpayer) taxes at June 30, 2021			<u>(3,184)</u>	<u>(3,184)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 508,785</u>	<u>\$ 454,153</u>	<u>\$ 54,632</u>
Current levy collection percentage			<u>99.38%</u>	<u>99.30%</u>	<u>100.00%</u>

Compliance Section

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Sanford, North Carolina
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**Report on internal control over financial reporting And on Compliance and Other
Matters Based on An Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditor's Report

To the Honorable Mayor and Board of Commissioners
Town of Vass, North Carolina

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vass, North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprises the Town of Vass' basic financial statements, and have issued my report thereon dated October 27, 2021.

Internal Control over Financial Reporting

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

My consideration of the internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency 2021-1, described in the accompanying schedule of findings and responses to be a material weakness.

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. I consider the deficiency 2021-2, described in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

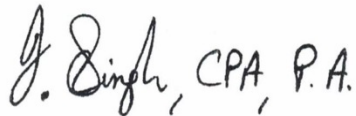
As part of obtaining reasonable assurance about whether the Town of Vass' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Town of Vass' Response to Findings

The Town of Vass' response to the findings identified in my audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "J. Singh, CPA, P.A." The signature is written in a cursive, flowing style.

Sanford, North Carolina 27330
October 27, 2021

TOWN OF VASS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

Findings related to the audit of the Basic Financial Statements

Finding 2021-1 – Material Weakness

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Due to the limited number of personnel in the Town office, there are inherent limitations to the segregation of duties among Town personnel.

Recommendation: Access to books and records of the Town should be separated from access to the assets of the Town as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties. The Board of Commissioners should provide some of these controls.

Contact person: Henry Callahan

Corrective action: Management is aware of the weakness but, due to the cost benefit analysis, hiring additional personnel does not appear feasible.

Finding 2021-2: - Significant deficiency

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and Governmental Accounting Standards Board requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure financial statements.

Recommendation: The Town should engage a qualified outside third party with the necessary skills, knowledge and expertise to draft their full accrual, full disclosure financial statements.

Name of contact person: Henry Callahan

Corrective action: Management is aware of the weakness and entered into a contract with a qualified outside third party to draft their year-end financial statements. Management's cost benefit analysis determined this approach to be more economical than acquiring internal personnel with the necessary skills, knowledge and experience.