

TOWN OF ARCHER LODGE

NORTH CAROLINA

ANNUAL FINANCIAL REPORT

Town Council Members

Matthew B. Mulhollem, Mayor
Clyde B. Castleberry, Mayor Pro-Tem
Teresa M. Bruton
J. Mark Jackson
James (Jim) Purvis, III
Mark B. Wilson

Administrative and Financial Staff

Michael A. Gordon, Town Administrator
Teresa M. Bruton, Budget Officer
Kim P. Batten, Finance Officer/Town Clerk

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
LOUISBURG, NC 27549
Bus: 919-496-3041
Fax: 919-496-6342

SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Town of Archer Lodge, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Town of Archer Lodge's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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 from fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 Archer Lodge, North Carolina as of June 30, 2020, and the respective changes in financial position 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 on pages 8 through 15, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 42 through 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with enough evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Archer Lodge's basic financial statements. 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 financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date January 31, 2021 on our consideration of the Town of Archer Lodge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Archer Lodge's internal control over financial reporting and compliance.

May & Place, PA

May & Place, PA

Louisburg, NC

January 31, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Archer Lodge, we offer readers of the Town of Archer Lodge's financial statements this narrative overview and analysis of the financial activities of the Town of Archer Lodge for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

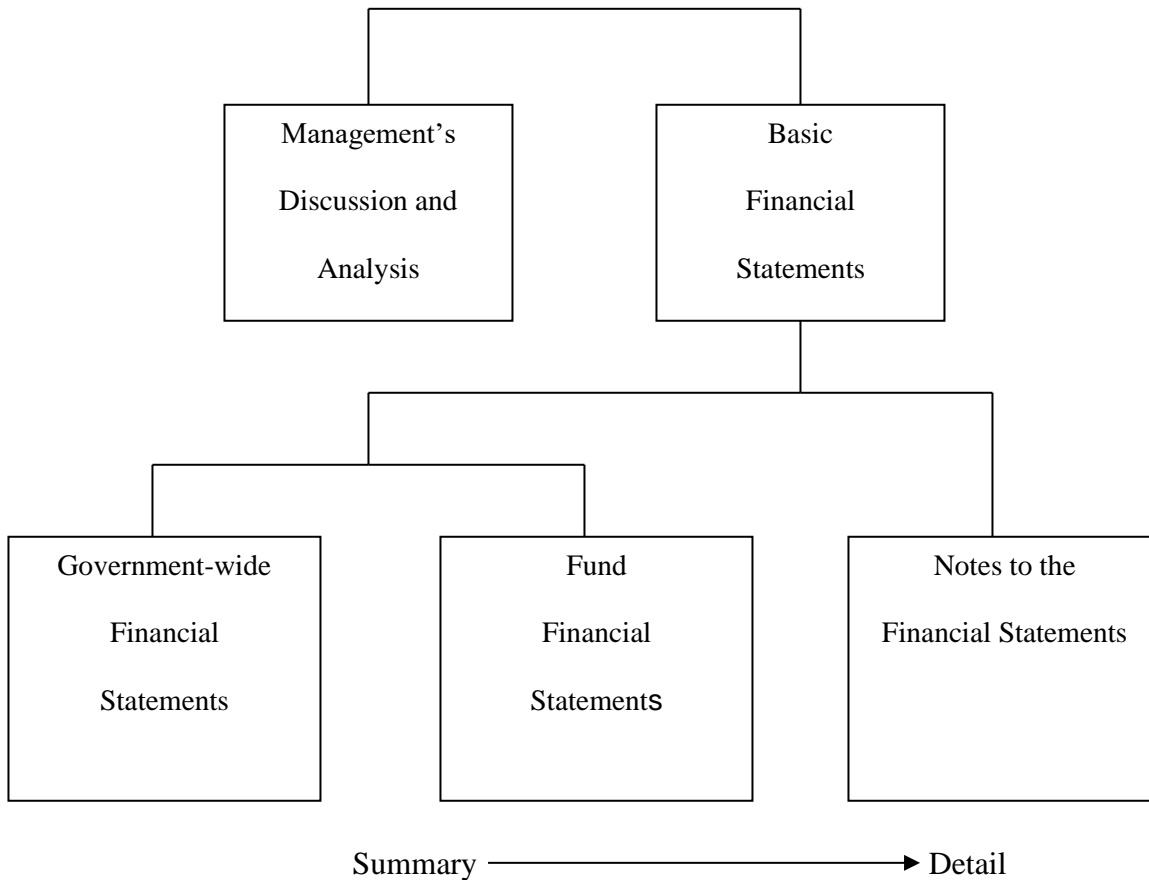
- The assets and deferred outflows of resources of the Town of Archer Lodge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,933,483 (*net position*).
- The government's total net position increased by \$336,528.
- As of the close of the current fiscal year, the Town of Archer Lodge's governmental funds reported combined ending fund balances of \$2,361,556 with a net change of \$244,599 in fund balances. Approximately 3 percent of this total amount, or \$88,633, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,123,732 or 92.8% of total general fund expenditures for the fiscal year.
- The Town of Archer Lodge's total debt decreased by \$110,333 (10.3%) during the current fiscal year.
- The investment earnings from investing temporarily idle cash with NC Capital Management Trust decreased by 28.0% with interest rates declining during the fiscal year.
- Continued funding the Public Safety Reserve Fund for future public safety projects.
- Continued funding the Park Reserve Fund for future park capital projects.
- The Town was awarded a \$500,000 matching grant from the NC Parks and Recreation Trust fund for the new park project that will include softball and baseball fields, playground, trails, walkways, and parking.
- The Town also received a non-matching grant of \$83,000 from the Johnston County Open Space Fund to assist in the construction of a new picnic shelter at the park.
- Design work has begun on the park project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Archer Lodge'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 Archer Lodge.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are comprised of the governmental activities. The governmental activities include all of the Town's basic services such as general government, public safety, and parks and recreation. Property taxes and state-shared revenues finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Archer Lodge, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All the funds of the Town of Archer Lodge are classified as 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 Archer Lodge 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, exhibit 5, provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from or associated with 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 State laws and appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Archer Lodge’s Net Position

Figure 2

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and other assets	\$ 2 405 204	\$ 2 154 748	\$ 2 405 204	\$ 2 154 748
Capital assets	1 553 346	1 562 017	1 553 346	1 562 017
Deferred outflows of resources	27 255	32 453	27 255	32 453
Total assets and deferred outflows of resources	<u>3 985 805</u>	<u>3 749 218</u>	<u>3 985 805</u>	<u>3 749 218</u>
Long-term liabilities outstanding	1 007 515	1 112 658	1 007 515	1 112 658
Other liabilities	43 426	37 516	43 426	37 516
Deferred inflows of resources	1 381	2 089	1 381	2 089
Total liabilities and deferred inflows of resources	<u>1 052 322</u>	<u>1 152 263</u>	<u>1 052 322</u>	<u>1 152 263</u>
Net Position:				
Net investment in capital assets	592 012	490 350	592 012	490 350
Restricted	88 633	89 386	88 633	89 386
Unrestricted	<u>2 252 838</u>	<u>2 017 219</u>	<u>2 252 838</u>	<u>2 017 219</u>
Total net position	<u>\$ 2 933 483</u>	<u>\$ 2 596 955</u>	<u>\$ 2 933 483</u>	<u>\$ 2 596 955</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Archer Lodge exceeded liabilities and deferred inflows by \$2,933,483 as of June 30, 2020. The Town’s net position increased by \$336,528 for the fiscal year ended June 30, 2020. However, the largest portion (76.83%) reflects the Town’s unrestricted net assets. A balance of \$592,012 represents the Town’s net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Archer Lodge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Archer Lodge’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of the Town of Archer Lodge’s net position \$88,633 (3%) represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.78%, which is higher than the statewide average of 98.67% for similar sized municipalities.
- Spending levels being significantly lower (10.99%) than budgeted amounts.

Town of Archer Lodge’s Changes in Net Position

Figure 3

	Governmental Activities 2020	Governmental Activities 2019	Total 2020	Total 2019
Revenues:				
Program revenues				
Charges for services	\$ 25 310	\$ 7 880	\$ 25 310	\$ 7 880
Operating grants and contributions	54 705	154 054	54 705	154 054
General Revenues				
Property taxes	839 633	674 603	839 633	674 603
Other taxes	434 054	411 905	434 054	411 905
Investment earnings	28 011	38 902	28 011	38 902
Other	5 562	25	5 562	25
Total revenues	<u>1 387 275</u>	<u>1 287 369</u>	<u>1 387 275</u>	<u>1 287 369</u>
Expenses:				
General government	457 998	422 128	457 998	422 128
Public safety	335 684	271 616	335 684	271 616
Transportation	43 010	17 112	43 010	17 112
Economic and physical development	138 994	92 999	138 994	92 999
Cultural and recreation	40 150	102 832	40 150	102 832
Interest on long-term debt	34 911	10 230	34 911	10 230
Total expenses	<u>1 050 747</u>	<u>916 917</u>	<u>1 050 747</u>	<u>916 917</u>
Increase in net position	336 528	370 452	336 528	370 452
Net position beginning	<u>2 596 955</u>	<u>2 226 503</u>	<u>2 596 955</u>	<u>2 226 503</u>
Net position, June 30	<u>\$ 2 933 483</u>	<u>\$ 2 596 955</u>	<u>\$ 2 933 483</u>	<u>\$ 2 596 955</u>

Governmental activities: Governmental activities increased the Town’s net position by \$336,528 thereby accounting for all the total growth in the net position of the Town of Archer Lodge.

Certain Key elements for the governmental funds:

- Total revenues were over 32% higher than expenses incurred by the Town.
- The Town receives 31% of their budget from state-shared revenues including but not limited to utility franchise taxes and sales taxes.
- The Town continued to receive PEG channel support from the NC Department of Revenue and contribution to the East Wake Television (PEG Media Partners) of \$54,705.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Archer Lodge. At the end of the current fiscal year, Town of Archer Lodge's fund balance available in the General Fund was \$1,123,732 while total Fund Balance reached \$1,211,266. The Town currently has an available fund balance of 101% of general fund expenditures, while total fund balance represents 109% of that same amount.

At June 30, 2020, the governmental funds of Town of Archer Lodge reported a combined fund balance of \$2,361,556 with a net increase in fund balance of \$244,599. Included in this change in fund balance is an increase in fund balance in the General Fund, Capital Reserve Fund, Park Reserve Fund, and Public Safety Reserve Fund.

In 2017 the Town of Archer Lodge established a Park Reserve Fund to accumulate funds for park capital improvements. This fund is funded by property tax revenue received from the dedication of three cents (\$0.03) of the Town's general property tax rate of twenty-two cents (\$0.22). Through this tax, the fund received \$131,484 in 2020.

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

Total revenue exceeded budgeted revenue primarily because of state shared revenues and property tax revenues came in higher than expected. Expenditures were less than budgeted due to the Town taking continued steps to keep expenditures low in order to build the amount of unreserved fund balance. Also, the Town currently employs only two full-time employees and two part-time employees; therefore, payroll expenditures have remained low. The Town received police protection services from Johnston County at no cost to the Town for the current year.

Capital Asset and Debt Administration

Capital Assets. The Town of Archer Lodge's investment in capital assets for its governmental activities as of June 30, 2020 totals \$1,553,346 (net of accumulated depreciation). These assets include land, buildings, and equipment.

During the year which ended June 30, 2020, the Town began design work of the new park at a cost of \$27,100.

**Town of Archer Lodge's Capital Assets
(Net of Depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 804 123	\$ 804 123	\$ 804 123	\$ 804 123
Construction in progress	27 100	-	27 100	-
Buildings	689 891	717 467	689 891	717 467
Equipment	6 986	12 986	6 986	12 986
Infrastructure	25 246	27 441	25 246	27 441
Total capital assets	<u>\$ 1 553 346</u>	<u>\$ 1 562 017</u>	<u>\$ 1 553 346</u>	<u>\$ 1 562 017</u>

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

Long-term Debt. As of June 30, 2020, the Town of Archer Lodge had total debt outstanding of \$961,334. The full amount of the debt is backed by the full faith and credit of the Town.

Town of Archer Lodge's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Installment Purchase	\$ 961 334	\$ 1 071 667	\$ 961 334	\$ 1 071 667
Total	<u>\$ 961 334</u>	<u>\$ 1 071 667</u>	<u>\$ 961 334</u>	<u>\$ 1 071 667</u>

The Town of Archer Lodge's total debt decreased by \$110,333 during the past fiscal year. During the fiscal year, principal payments of \$33,333 were made the original Town Hall building, \$50,000 on the park land, and \$27,000 for the Town Hall expansion installment purchase obligations. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Archer Lodge is \$30,470,509.

Additional information regarding the Town of Archer Lodge's long-term debt can be found in Note III.B.5 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.

- Per 2010 census, the population increased 27% from 3,384 to 4,292. Population estimates made by the NC Department of Budget and Management indicate that as of July 2019, the Town population increased by 22.46% to 5,256. No new population estimates have been updated since that time.
- State shared revenues, including sales tax, increased over the prior year due to economic growth in Johnston County and in North Carolina.
- Unemployment rate for Johnston County in June 2020 was 6.9% as compared to 7.9% for the State of North Carolina, an increase for both data units from 2019 due mainly to the financial impact of the COVID-19 pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The ad valorem tax rate was maintained at \$0.22 per \$100 valuation, with an anticipated increase of only \$6,500 in property tax revenue. The total Town budgeted expenditures are expected to increase by \$58,900 over the final 2019-2020 budget. The Town made no appropriation of fund balance for subsequent year's expenditures.

Some of the main expenditures in the 2020-2021 Budget include:

- Due to COVID-19 the Town expects a 28% reduction in sales tax revenue.
- 39% of the property tax revenue funds the Archer Lodge Fire Department estimated at \$329,000 (or 24.27% of the total budget).
- Debt service payments of \$145,069 for the town hall, town hall expansion, and park loans.
- Funding for future capital projects of \$170,000.
- Funding for recreational programs at the Archer Lodge Community Center of \$40,000.
- PEG channel support from the NC Department of Revenue and contribution to East Wake Television (PEG Media Partners) \$53,000.
- Funding for a 1.5% COLA and for potential performance-based merit increases of up to 2% is provided.
- Funding for a 1.0% increase in the Town's 401(k) contribution for full-time employees.
- Implementation of the new Permitting and Code Enforcement software will begin in FY2021.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Archer Lodge, 14094 Buffalo Road, Archer Lodge, N.C. 27527. Other forms of contact include calling (919)359.9727, visiting the Town's website at www.archerlodgenc.gov, or through email to kim.batten@archerlodgenc.gov for additional information.

BASIC FINANCIAL STATEMENTS

Town of Archer Lodge, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2 315 119	\$ 2 315 119
Taxes receivables (net)	1 928	1 928
Accrued interest receivable	126	126
Due from other governments	88 031	88 031
Total current assets	<u>2 405 204</u>	<u>2 405 204</u>
Non-current assets:		
Capital assets:		
Land, non-depreciable improvements, and construction in progress	831 223	831 223
Other capital assets, net of depreciation	722 123	722 123
Total capital assets	<u>1 553 346</u>	<u>1 553 346</u>
Total assets	<u>3 958 550</u>	<u>3 958 550</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	27 255	27 255
Total deferred outflows of resources	<u>27 255</u>	<u>27 255</u>
LIABILITIES		
Current liabilities:		
Accounts payable	40 931	40 931
Accrued interest payable	2 495	2 495
Current portion of long-term liabilities	110 333	110 333
Total current liabilities	<u>153 759</u>	<u>153 759</u>
Long-term liabilities:		
Net pension liability	35 229	35 229
Compensated absences	10 952	10 952
Due in more than one year	851 001	851 001
Total liabilities	<u>1 050 941</u>	<u>1 050 941</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	663	663
Pension deferrals	718	718
Total deferred inflows of resources	<u>1 381</u>	<u>1 381</u>
NET POSITION		
Net investment in capital assets	592 012	592 012
Restricted for:		
Stabilization by State Statute	87 534	87 534
Capital projects	1 099	1 099
Unrestricted	2 252 838	2 252 838
Total net position	<u>\$ 2 933 483</u>	<u>\$ 2 933 483</u>

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

**Town of Archer Lodge, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary government:						
Governmental Activities:						
General government	\$ 457 998	\$ -	\$ 54 705	\$ -	\$ (403 293)	\$ (403 293)
Public safety	335 684	50	-	-	(335 634)	(335 634)
Transportation	43 010	-	-	-	(43 010)	(43 010)
Economic & physical development	138 994	5 260	-	-	(133 734)	(133 734)
Cultural and recreation	40 150	20 000	-	-	(20 150)	(20 150)
Interest on long-term debt	34 911	-	-	-	(34 911)	(34 911)
	<u>1 050 747</u>	<u>25 310</u>	<u>54 705</u>	<u>-</u>	<u>(970 732)</u>	<u>(970 732)</u>
Total governmental activities	<u>\$ 1 050 747</u>	<u>\$ 25 310</u>	<u>\$ 54 705</u>	<u>\$ -</u>	<u>(970 732)</u>	<u>(970 732)</u>
Total primary government	<u>\$ 1 050 747</u>	<u>\$ 25 310</u>	<u>\$ 54 705</u>	<u>\$ -</u>	<u>(970 732)</u>	<u>(970 732)</u>
General revenues						
Taxes:						
Property taxes levied for general purpose					839 633	839 633
Other taxes					434 054	434 054
Unrestricted investment earnings					28 011	28 011
Miscellaneous					5 562	5 562
Total general revenues not including transfers					<u>1 307 260</u>	<u>1 307 260</u>
Transfers					-	-
Total general revenues and transfers					<u>1 307 260</u>	<u>1 307 260</u>
Change in net position					336 528	336 528
Net position, beginning, previously reported					2 596 955	2 596 955
Net position, ending					<u>\$ 2 933 483</u>	<u>\$ 2 933 483</u>

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

**Town of Archer Lodge, North Carolina
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2020**

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Park Reserve Fund	Public Safety Reserve Fund		
ASSETS						
Cash and cash equivalents	\$ 1 165 928	\$ 508 495	\$ 310 826	\$ 329 870	\$ -	\$ 2 315 119
Receivables, net:						
Taxes	2 054	-	-	-	-	2 054
Due from other governments	86 932	-	-	-	1 099	88 031
Total assets	<u>1 254 914</u>	<u>508 495</u>	<u>310 826</u>	<u>329 870</u>	<u>1 099</u>	<u>2 405 204</u>
LIABILITIES						
Accounts payable and accrued liabilities	40 931	-	-	-	-	40 931
Total liabilities	<u>40 931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40 931</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	2 054	-	-	-	-	2 054
Prepaid taxes	663	-	-	-	-	663
Total deferred inflows of resources	<u>2 717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 717</u>
FUND BALANCES						
Restricted						
Stabilization by State Statute	87 534	-	-	-	-	87 534
Capital projects	-	-	-	-	1 099	1 099
Assigned						
Future Capital projects	-	508 495	310 826	-	-	819 321
Public safety	-	-	-	329 870	-	329 870
Unassigned	1 123 732	-	-	-	-	1 123 732
Total fund balances	<u>1 211 266</u>	<u>508 495</u>	<u>310 826</u>	<u>329 870</u>	<u>1 099</u>	<u>2 361 556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1 254 914</u>	<u>\$ 508 495</u>	<u>\$ 310 826</u>	<u>\$ 329 870</u>	<u>\$ 1 099</u>	<u>\$ 2 405 204</u>

**Town of Archer Lodge
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	2 361 556
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Gross capital assets at historical cost		1 772 150
Accumulated depreciation		<u>(218 804)</u>
		1 553 346
Deferred outflows of resources related to pensions are not reported in the funds		
		27 255
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
		126
Earned revenues considered deferred inflows of resources in fund statements.		
		1 928
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds		
Gross long-term debt beginning		(1 071 667)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)		<u>110 333</u>
Net pension liability		(961 334)
		(35 229)
Deferred inflows of resources related to pensions are not reported in the funds		
		(718)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		
		(2 495)
Compensated absences		<u>(10 952)</u>
Net position of governmental activities	\$	<u><u>2 933 483</u></u>

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

Town of Archer Lodge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Park Reserve Fund	Public Safety Reserve Fund		
REVENUES						
Ad valorem taxes	\$ 839 507	\$ -	\$ -	\$ -	\$ -	\$ 839 507
Unrestricted intergovernmental	434 053	-	-	-	-	434 053
Restricted intergovernmental	54 705	-	-	-	-	54 705
Permits and fees	25 310	-	-	-	-	25 310
Investment earnings	13 436	6 713	3 508	4 355	-	28 012
Miscellaneous	5 562	-	-	-	-	5 562
Total revenues	1 372 573	6 713	3 508	4 355	-	1 387 149
EXPENDITURES						
Current:						
General government	412 368	-	-	-	-	412 368
Public Safety	335 684	-	-	-	-	335 684
Transportation	43 010	-	-	-	-	43 010
Economic and physical development	138 994	-	-	-	-	138 994
Culture and recreation	40 150	-	-	-	-	40 150
Debt service:						
Principal	110 333	-	-	-	-	110 333
Interest and other charges	34 911	-	-	-	-	34 911
Capital outlay	-	-	-	-	27 100	27 100
Total expenditures	1 115 450	-	-	-	27 100	1 142 550
Excess (deficiency) of revenues over expenditures	257 123	6 713	3 508	4 355	(27 100)	244 599
OTHER FINANCING SOURCES (USES)						
Transfer from other funds	67 919	25 000	131 484	25 000	27 100	276 503
Transfer to other funds	(181 484)	-	(93 100)	-	(1 919)	(276 503)
Total other financing sources(uses)	(113 565)	25 000	38 384	25 000	25 181	-
Net change in fund balance	143 558	31 713	41 892	29 355	(1 919)	244 599
Fund balances, beginning	1 067 708	476 782	268 934	300 515	3 018	2 116 957
Fund balances, ending	\$ 1 211 266	\$ 508 495	\$ 310 826	\$ 329 870	\$ 1 099	\$ 2 361 556

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

Town of Archer Lodge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Net changes in fund balances – total governmental funds \$ \$ 244 599

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

Capital outlay expenditures which were capitalized	\$ 27 100	
Depreciation expense for governmental assets	<u>(35 771)</u>	(8 671)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		11 307
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		126
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		110 333
--------------------------------------	--	---------

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	(2 937)	
Pension expense	<u>(18 229)</u>	<u>(21 166)</u>

Total changes in net position of governmental activities	\$	<u><u>336 528</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Archer Lodge, North Carolina
General Fund and Annually Budgeted Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 812 300	\$ 841 500	\$ 839 507	\$ (1 993)
Unrestricted intergovernmental	385 010	397 010	434 053	37 043
Restricted intergovernmental	53 000	53 000	54 705	1 705
Permits and fees	51 140	26 140	25 310	(830)
Investment earnings	24 000	13 500	13 436	(64)
Miscellaneous	50	6 700	5 562	(1 138)
Total revenues	<u>1 325 500</u>	<u>1 337 850</u>	<u>1 372 573</u>	<u>34 723</u>
Expenditures:				
Current:				
General government	446 403	454 303	412 368	41 935
Public safety	331 500	343 000	335 684	7 316
Transportation	92 500	79 500	43 010	36 490
Economic & physical development	123 860	153 629	138 994	14 635
Cultural and recreation	45 000	45 000	40 150	4 850
Debt service:				
Principal retirement	110 336	110 336	110 333	3
Interest and other charges	31 901	35 001	34 911	90
Total expenditures	<u>1 181 500</u>	<u>1 220 769</u>	<u>1 115 450</u>	<u>105 319</u>
Revenues over (under) expenditures	<u>144 000</u>	<u>117 081</u>	<u>257 123</u>	<u>140 042</u>
Other financing sources (uses):				
Transfers from other funds	66 000	67 919	67 919	-
Transfers to other funds	(210 000)	(185 000)	(181 484)	3 516
Total other financing sources (uses)	<u>(144 000)</u>	<u>(117 081)</u>	<u>(113 565)</u>	<u>3 516</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	143 558	\$ <u>143 558</u>
Fund balances, beginning			<u>1 067 708</u>	
Fund balances, ending			\$ <u>1 211 266</u>	

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

Notes to the Financial Statements

Town of Archer Lodge, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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. The Town of Archer Lodge does not perform any business-type activities at this time.

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

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and franchise taxes. The primary expenditures are for administration, public safety, and cultural/recreational services.

Capital Reserve Fund. This fund is used to account for future capital projects.

Park Reserve Fund. This fund is used to account for future park projects.

Public Safety Reserve Fund. This fund is used to account for future public safety projects.

The Town reports the following non-major governmental funds:

Capital Project Town Hall Expansion Fund. This fund is used to account for the activities involved with the addition to the town hall building.

Capital Project Town Park Fund. This fund is used to account for the building of a new town park and its amenities.

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under 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 tax receivables 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 in the County, including the Town of Archer Lodge. 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 are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Archer Lodge because the tax is levied by Johnston County and then remitted to and distributed by the

State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances have been adopted for the Capital Reserve Fund and Park Reserve Fund. 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 project level for the multi-year funds. All budget amendments must be approved by the Town Council. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows 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 Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S.159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The securities of the NCCMT's Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

4. Allowances for Doubtful Accounts

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

5. Prepaid Items

Certain payments to vendors may reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; vehicles and motorized equipment, \$5,000; and computer software and computer equipment \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	30
Improvements	25
Vehicles and motorized equipment	5
Furniture and equipment	5-10
Computer Equipment	3
Computer Software	5

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, 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 applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance cost, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

9. Compensated Absences

The vacation policies 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 length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken; no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Parks Capital projects – portion of fund balance that is restricted by revenue source for parks projects.

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

Assigned Fund Balance - portion of fund balance that the Town of Archer Lodge intends to use for specific purposes.

Assigned for Capital Projects – portion of fund balance that has been budgeted by the Town Council for future capital projects.

Assigned for Public Safety – portion of fund balance that has been budgeted by the Town Council for the future development of a police force.

Assigned for Park Reserve – portion of fund balance that has been budgeted by the Town Council for the future development of parks.

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 purposes or other funds.

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

11. Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information and 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 Archer Lodge's employer contributions are recognized when due and the Town of Archer Lodge has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's 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 uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,066,499 and a bank balance of \$1,071,933. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2020, the Town of Archer Lodge investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/20	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 74 699	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1 173 921	0.15 years ^a	Unrated
Total		\$ 1 248 620		

^a This is the duration for the Term Portfolio.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of hierarchy; Level 1 debt securities are valued using directly observable, quoted prices (unadjusted in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town of Archer Lodge does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US Government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, were follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 804 123	\$ -	\$ -	\$ 804 123
Construction in Progress	-	27 100	-	27 100
Total capital assets not being depreciated	<u>804 123</u>	<u>27 100</u>	<u>-</u>	<u>831 223</u>
Capital assets being depreciated:				
Buildings and improvements	818 096	-	-	818 096
Equipment	89 902	-	-	89 902
Infrastructure	32 929	-	-	32 929
Total capital assets being depreciated	<u>940 927</u>	<u>-</u>	<u>-</u>	<u>940 927</u>
Less accumulated depreciation for:				
Buildings and improvements	100 629	27 576	-	128 205

Equipment	76 916	6 000	-	82 916
Infrastructure	<u>5 488</u>	<u>2 195</u>	-	<u>7 683</u>
Total accumulated depreciation	<u>183 033</u>	<u>35 771</u>	<u>-</u>	<u>218 804</u>
Total capital assets being depreciated, net	<u>757 894</u>			<u>722 123</u>
Governmental activity capital assets, net	<u>\$ 1 562 017</u>			<u>\$ 1 553 346</u>

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

General government	\$ 35 771
Total depreciation expense	<u>\$ 35 771</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

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

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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Archer Lodge 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 Archer Lodge's contractually required contribution rate for the year ended June 30, 2020, was 9.64% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Archer Lodge were \$11,307 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$35,229 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town’s proportion was 0.00129%, which was a decrease of 0.00010% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$18,229. At June 30, 2020, 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	\$ 6 032	\$ -
Changes in assumptions	5 742	-
Net difference between projected and actual earnings on pension plan investments	859	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3 315	718
Town contributions subsequent to the measurement date	11 307	-
Total	<u>\$ 27 255</u>	<u>\$ 718</u>

The \$11,307 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ 7 434
2022	2 384
2023	4 213
2024	1 199
2025	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2018 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 & productivity factor
Investment rate of return	7.00%, 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of

return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town’s proportionate share of the net pension liability (asset)	\$ 80 575	\$ 35 229	\$ (2 463)

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.

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

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

	<u>LGERS</u>	<u>Total</u>
Pension Expense	\$ 18 229	\$ 18 229
Pension Liability	35 229	35 229
Proportionate share of the net pension liability	0.00129%	0.00129%
Deferred Outflows of Resources:		
Differences between expected and actual experience	6 032	6 032
Changes of assumptions	5 742	5 742
Net difference between projected and actual earnings on plan investments	859	859
Changes in proportion and differences between contributions and proportionate share of contributions	3 315	3 315
Benefit payments and administrative costs paid subsequent to the measurement date	11 307	11 307

	LGERS (Cont.)	Total (Cont.)
Deferred 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	718	718

b. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administrated by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly.

Funding Policy. The Town has elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$11,250 which consisted of \$5,865 from the Town and \$5,385 from the general employees.

2. Deferred Outflows and Inflows of Resources

The Town of Archer Lodge has the following deferred outflows of resources:

Source	Amount
Contribution to pension plan in current fiscal year	\$ 11 307
Differences between expected and actual experience	6 032
Changes in assumptions	5 742
Net difference between projected and actual	859
Changes in proportion and differences between employer contributions and proportionate share of contributions	3 315
Total	\$ <u>27 255</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid Taxes (General Fund)	\$ 663	\$ 663
Taxes receivable (General Fund), less penalties	-	2 054
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	718	-
Total	\$ <u>1 381</u>	\$ <u>2 717</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to the statutory limits, public officials' liability coverage of \$1 million per occurrence, 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

There have been no significant reductions in insurance coverage in the prior year, nor were there any settled claims in any of the past three fiscal years.

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is not eligible to purchase coverage of \$500,000 per structure through the NFIP.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$200,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020 the Town was not a defendant to any lawsuits.

5. Long-Term Obligations

a. Installment Purchase

On March 22, 2012 the Town entered into an installment purchase agreement of \$500,000 to finance the land acquisition and construction of a town hall building. The financing contract requires fifteen annual principal payments of \$33,333 with an interest rate of 3.41%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$31,827 of interest, are as follows:

Year Ending		
June 30	Principal	Interest
2021	\$ 33 334	\$ 7 957
2022	33 333	6 820
2023	33 334	5 683
2024	33 333	4 547
2025	33 333	3 410

2026-2027	66 667	3 410
Total	\$ <u>233 334</u>	\$ <u>31,827</u>

In July 2018 the Town entered into an installment purchase agreement of \$400,000 to finance the land acquisition for parks development. The financing contract requires eight annual principal payments of \$50,000 with an interest rate of 4.00%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$56,000 of interest, are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 50 000	\$ 14 000
2022	50 000	12 000
2023	50 000	10 000
2024	50 000	8 000
2025	50 000	6 000
2025-2027	100 000	6 000
Total	\$ <u>350 000</u>	\$ <u>56 000</u>

In September 2018 the Town entered into an installment purchase agreement of \$405,000 to finance the construction of the town hall expansion project. The financing contract requires fifteen annual principal payments of \$27,000 with an interest rate of 3.37%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$95,619 of interest are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 27 000	\$ 12 773
2022	27 000	11 829
2023	27 000	10 919
2024	27 000	10 009
2025	27 000	9 124
2026-2030	135 000	31 861
2031-2034	108 000	9 104
Total	\$ <u>378 000</u>	\$ <u>95 619</u>

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 1 071 667	\$ -	\$ 110 333	\$ 961 334	\$ 110 333
Compensated absences	8 015	2 937	-	10 952	-
Governmental activities long – term liabilities	<u>\$ 1 079 682</u>	<u>\$ 2 937</u>	<u>\$ 110 333</u>	<u>\$ 972 286</u>	<u>\$ 110 333</u>

C. Interfund Balances and Activity

There were no balances due to/from other funds at June 30, 2020.

Transfers to/from other funds at June 30, 2020, consists of the following:

From the General Fund to the Capital Reserve Fund	\$ 25 000
From the General Fund to Park Reserve Fund	131 484
From the General Fund to the Public Safety Reserve Fund	25 000
From the Capital Project Town Hall Expansion Fund to the General Fund	1 919
From the Park Reserve Fund to the General Fund	66 000
From the Park Reserve Fund to the Capital Project Town Park Fund	<u>27 100</u>
Total transfers	\$ <u>276 503</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various programs.

D. Fund Balance

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

Total fund balance – General Fund	\$ 1 211 266
Less:	
Stabilization by State Statute	87 534
Remaining Fund Balance	<u>1 123 732</u>

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2020.

Required Supplementary Financial Data

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

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

Town of Archer Lodge, North Carolina
Town of Archer Lodge's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Archer Lodge's proportion of the net pension liability (asset) (%)	0.00129%	0.00139%	0.00121%	0.00139%	0.00059%	0.00017%	0.0000%
Archer Lodge's proportion of the net pension liability (asset) (\$)	35 229	32 976	18 485	29 500	2 648	(1 003)	-
Archer Lodge's covered-employee payroll	117 292	108 711	67 849	58 551	46 313	35 490	-
Archer Lodge's proportionate share of the net pension liability(asset) as a percentage of its covered employee payroll	30.04%	30.34%	27.24%	50.38%	5.72%	(2.83%)	0.00%
Plan fiduciary net position as a percentage of total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	0.00%

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

**Town of Archer Lodge's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11 307	\$ 9 284	\$ 8 284	\$ 5 323	\$ 4 216	\$ 3 520	\$ 2 697
Contributions in relation to the contractually required contribution	11 307	9 284	8 284	5 323	4 216	3 520	2 697
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Archer Lodge's covered employee payroll	\$ 117 292	\$ 108 711	\$ 100 663	\$ 67 849	\$ 58 551	\$ 46 313	\$ 35 490
Contributions as a percentage of covered-employee payroll	9.64%	8.54%	8.23%	7.85%	7.20%	7.60%	7.60%

Individual Fund Statements and Schedules

**Town of Archer Lodge, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 837 320	\$
Interest		2 187	
Total	<u>841 500</u>	<u>839 507</u>	<u>(1 993)</u>
Unrestricted intergovernmental:			
Local option sales taxes		224 928	
Franchise taxes		151 993	
Beer and wine tax		21 884	
ABC profit distribution		35 248	
Total	<u>397 010</u>	<u>434 053</u>	<u>37 043</u>
Restricted intergovernmental:			
PEG channel support		54 705	
Total	<u>53 000</u>	<u>54 705</u>	<u>1 705</u>
Permits and fees:			
Planning and zoning revenue		5 260	
Animal control fees		50	
Fees in lieu of recreation		20 000	
Total	<u>26 140</u>	<u>25 310</u>	<u>(830)</u>
Investment earnings	<u>13 500</u>	<u>13 436</u>	<u>(64)</u>
Miscellaneous:			
Miscellaneous		5 562	
Total	<u>6 700</u>	<u>5 562</u>	<u>(1 138)</u>
Total Revenues	<u>1 337 850</u>	<u>1 372 573</u>	<u>34 723</u>

(continued)

**Town of Archer Lodge, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Town Council			
Salaries and employee benefits		11 465	
Other operating expenditures		36 068	
Total	<u>57 600</u>	<u>47 533</u>	<u>10 067</u>
Administration:			
Salaries and employee benefits		175 664	
Professional services		8 550	
Contracted services		16 431	
PEG Media Group		54 705	
Other operating expenditures		27 093	
Total	<u>303 853</u>	<u>282 443</u>	<u>21 410</u>
Tax Collections:			
Collection fees		22 022	
Total	<u>25 000</u>	<u>22 022</u>	<u>2 978</u>
Legal:			
Contracted services		14 025	
Total	<u>13 000</u>	<u>14 025</u>	<u>(1 025)</u>
Tax			
Taxes		104	
Total	<u>100</u>	<u>104</u>	<u>(4)</u>
Public Buildings			
Utility service fees		6 814	
Repairs and maintenance		9 530	
Contracted services		18 728	
Other operating expenses		11 169	
Total	<u>54 750</u>	<u>46 241</u>	<u>8 509</u>
Total general government	<u>454 303</u>	<u>412 368</u>	<u>41 935</u>

(continued)

**Town of Archer Lodge, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police and Animal Control:			
Other operating services		1 771	
Total	<u>6 500</u>	<u>1 771</u>	<u>4 729</u>
Fire:			
Fire protection services		333 913	
Total	<u>336 500</u>	<u>333 913</u>	<u>2 587</u>
Total public safety	<u>343 000</u>	<u>335 684</u>	<u>7 316</u>
Transportation:			
Streets and highways:			
Street lighting		5 515	
Other operating expenditures		37 495	
Total transportation	<u>79 500</u>	<u>43 010</u>	<u>36 490</u>
Economic and physical development:			
Planning and zoning:			
Salaries and employee benefits		76 080	
Professional services		1 500	
Other operating expenditures		8 636	
Contracted services		52 778	
Total economic and physical development	<u>153 629</u>	<u>138 994</u>	<u>14 635</u>
Culture and recreation			
Parks and recreation			
Professional fees		150	
Contracted services		40 000	
Total culture and recreation	<u>45 000</u>	<u>40 150</u>	<u>4 850</u>

(continued)

**Town of Archer Lodge, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Debt Service			
Principal retirement	110 336	110 333	3
Interest and other charges	35 001	34 911	90
Total debt service	145 337	145 244	93
 Total expenditures	 1 220 769	 1 115 450	 105 319
 Revenues over (under) expenditures	 117 081	 257 123	 140 042
 Other financing sources (uses):			
Transfers from other funds:			
Park Reserve Fund	66 000	66 000	-
Capital Project Town Hall Expansion Fund	1 919	1 919	-
Transfers to other funds:			
Capital Reserve Fund	(25 000)	(25 000)	-
Parks Reserve Fund	(135 000)	(131 484)	3 516
Public Safety Reserve Fund	(25 000)	(25 000)	-
Total	(117 081)	(113 565)	3 516
 Fund balance appropriated	 -	 -	 -
 Net change in fund balance	 \$ -	 143 558	 \$ 143 558
 Fund balances, beginning		1 067 708	
Fund balances, ending		\$ 1 211 266	

Town of Archer Lodge, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
For the Year Ended June 30, 2020

	Capital Project Town Hall Expansion Fund	Capital Project Town Park Fund	Total Non-Major Governmental Funds
Assets			
Due from other governments	\$ 1 099	\$ -	\$ 1 099
Total assets	1 099	-	1 099
Liabilities and Fund Balances			
Fund balances:			
Restricted	1 099	-	1 099
Total liabilities and fund balances	\$ 1 099	\$ -	\$ 1 099

Town of Archer Lodge, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2020

	<u>Capital Project Town Hall Expansion Fund</u>	<u>Capital Project Town Park Fund</u>	<u>Total Non-Major Governmental Funds</u>
Expenditures			
Construction	\$ -	\$ 27 100	\$ 27 100
Revenues over expenditures	-	(27 100)	(27 100)
Other financing sources (uses)			
Transfers from other funds		27 100	27 100
Transfers (to) other funds	(1 919)	-	(1 919)
Total other financing sources	(1 919)	27 100	25 181
Fund balance beginning	3 018	-	3 018
Fund balance ending	\$ <u>1 099</u>	\$ <u>-</u>	\$ <u>1 099</u>

**Town of Archer Lodge, North Carolina
Capital Project Town Hall Expansion Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Budget	Prior Year	Actual Current Year	Total to Date	Variance Positive Negative
Expenditures					
Capital outlay:					
Construction	\$ 450 000	\$ 415 446	\$ -	\$ 415 446	\$ 34 554
Total Expenditures	<u>450 000</u>	<u>415 446</u>	<u>-</u>	<u>415 446</u>	<u>34 554</u>
Revenues under expenditures	(450 000)	(415 446)	-	(415 446)	34 554
Other Financing Sources/Use					
Installment purchase obligation	405 000	405 000	-	405 000	-
Interfund transfers:					
From(to) General Fund	45 000	13 464	(1 919)	11 545	(33 455)
Total other financing sources	<u>450 000</u>	<u>418 464</u>	<u>(1 919)</u>	<u>416 545</u>	<u>(33 455)</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>3 018</u>	(1 919)	\$ <u>1 099</u>	\$ <u>1 099</u>
Fund Balance Beginning			<u>3 018</u>		
Fund Balance Ending			<u>\$ <u>1 099</u></u>		

**Town of Archer Lodge, North Carolina
Capital Project Town Park Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual		Total to Date	Variance Positive Negative
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental					
State Grant	\$ 500 000	\$ -	\$ -	\$ -	\$ (500 000)
Total revenues	<u>500 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500 000)</u>
Expenditures					
Capital outlay:					
Design/engineering	146 342	-	27 100	27 100	119 242
Construction	813 008	-	-	-	813 008
Contingency	40 650	-	-	-	40 650
Total Expenditures	<u>1 000 000</u>	<u>-</u>	<u>27 100</u>	<u>27 100</u>	<u>972 900</u>
Revenues under expenditures	(500 000)	-	(27 100)	(27 100)	472 900
Other Financing Sources/Uses:					
Interfund transfers					
Transfers from other funds					
From Park Reserve Fund	500 000	-	27 100	27 100	(472 900)
Total other financing sources	<u>500 000</u>	<u>-</u>	<u>27 100</u>	<u>27 100</u>	<u>(472 900)</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ -	\$ <u>-</u>	\$ <u>-</u>
Fund Balance Beginning			-		
Fund Balance Ending			\$ <u>-</u>		

Town of Archer Lodge, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ 7 000	\$ 6 713	\$ 287
Total revenues	<u>7 000</u>	<u>6 713</u>	<u>287</u>
Expenditures:			
Current:	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>7 000</u>	<u>6 713</u>	<u>(287)</u>
Other financing sources:			
Interfund transfers			
Transfer from general fund	25 000	25 000	-
Transfer to general fund	<u>(32 000)</u>	<u>-</u>	<u>32 000</u>
Total other financing sources	<u>(7 000)</u>	<u>25 000</u>	<u>32 000</u>
Net change in fund balance	\$ <u>-</u>	31 713	\$ <u>31 713</u>
Fund balance, beginning		<u>476 782</u>	
Fund balance, ending		\$ <u>508 495</u>	

Town of Archer Lodge, North Carolina
Park Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 4 000	\$ 3 508	\$ (492)
Total revenues	4 000	3 508	(492)
Expenditures:			
Recreation Development	-	-	-
Total expenditures	-	-	-
Revenues under expenditures	4 000	3 508	(492)
Other financing sources:			
Interfund transfers			
Transfer from General Fund	135 000	131 484	(3 516)
Transfer to Archer Lodge town Park fund	(73 000)	(27 100)	45 900
Transfer to general fund	(66 000)	(66 000)	-
Total other financing sources	(4 000)	38 384	42 384
Fund balance appropriated	-	-	
Net change in fund balance	\$ -	41 892	\$ 41 892
Fund balance, beginning		268 934	
Fund balance, ending		\$ 310 826	

Town of Archer Lodge, North Carolina
Public Safety Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 5 000	\$ 4 355	\$ 645
Total revenues	5 000	4 355	645
Expenditures:			
Public Safety	30 000	-	30 000
Total expenditures	30 000	-	30 000
Revenues over(under) expenditures	(25 000)	4 355	29 355
Other financing sources:			
Interfund transfers			
Transfer from general fund	25 000	25 000	-
Total other financing sources	25 000	25 000	-
Net change in fund balance	\$ -	29 355	\$ 29 355
Fund balance, beginning		300 515	
Fund balance, ending		\$ 329 870	

Other Schedules

This section contains additional information required on property taxes

- Schedule of Ad Valorem Taxes Receivable

- Analysis of Current Tax Levy

**Town of Archer Lodge, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 837 939	\$ 836 129	\$ 1 810
2018-2019	424	-	391	33
2017-2018	303	-	288	15
2016-2017	153	-	120	33
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	284	-	258	26
2012-2013	64	-	63	1
2011-2012	67	-	57	10
2010-2011	336	-	336	-
	<u>\$ 1 631</u>	<u>\$ 837 939</u>	<u>\$ 837 642</u>	<u>\$ 1 928</u>
		Ad valorem taxes receivable - net		<u>\$ 1 928</u>

Reconcilement with revenues:

Ad valorem taxes – General Fund	\$ 839 507
Reconciling items:	
Interest collected	(2 187)
Taxes written off	<u>322</u>
Subtotal	<u>(1 865)</u>
Total collections and credits	<u>\$ 837 642</u>

Town of Archer Lodge, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2020

	<u>Town-Wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current rate	\$ 378 243 182	0.22	\$ 832 135	729 385	\$ 102 750
Penalties	-		-	-	-
Total	<u>378 243 182</u>		<u>832 135</u>	<u>729 385</u>	<u>102 750</u>
Discoveries:					
Current year taxes	<u>3 005 000</u>	0.22	<u>6 611</u>	<u>6 611</u>	<u>-</u>
Releases	<u>(366 818)</u>	0.22	<u>(807)</u>	<u>(807)</u>	<u>-</u>
Total property valuation	<u>\$ 380 881 364</u>				
Net levy			837 939	735 189	102 750
Uncollected taxes at June 30, 2020			<u>(1 810)</u>	<u>(1 810)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 836 129</u>	<u>\$ 733 379</u>	<u>\$ 102 750</u>
Current levy collection percentage			<u>99.78%</u>	<u>99.75%</u>	<u>100.00%</u>

COMPLIANCE SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
LOUISBURG, NC 27549
Bus: 919-496-3041
Fax: 919-496-6342

SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

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
Members of the Town Council
Town of Archer Lodge, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Archer Lodge, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Archer Lodge's basic financial statements, and have issued our report thereon dated January 31, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

May and Place, PA

May & Place, PA
Louisburg, North Carolina
January 31, 2021