

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 L. (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, 2021

Town of Archer Lodge, North Carolina
Table of Contents
June 30, 2021

	<u>Page</u>
Financial Section:	
Independent Auditor’s Report	4-6
Management’s Discussion and Analysis	8-15
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position – Exhibit 1	17
Statement of Activities – Exhibit 2	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds – Exhibit 3	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position- Exhibit 3	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Exhibit 4	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Exhibit 4	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual – Exhibit 5	23
Notes to Financial Statements	25-40
Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Position Asset Local Government Employees’ Retirement System	42
Schedule of Contributions Local Government Employees’ Retirement System	43
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund	45-48
Combining Balance of Non-Major Governmental Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Non-Major Governmental Funds	50
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Capital Project Fund-Town Hall Expansion	51
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Capital Project Fund – New Park	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual –Capital Reserve Fund	53
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual –Park Reserve Fund	54
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual -Public Safety Reserve Fund	55
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	57
Analysis of Current Tax Levy – Town-Wide Levy	58
Compliance Section	60-61

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, 2021, 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, 2021, 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 October 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

October 31, 2021

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

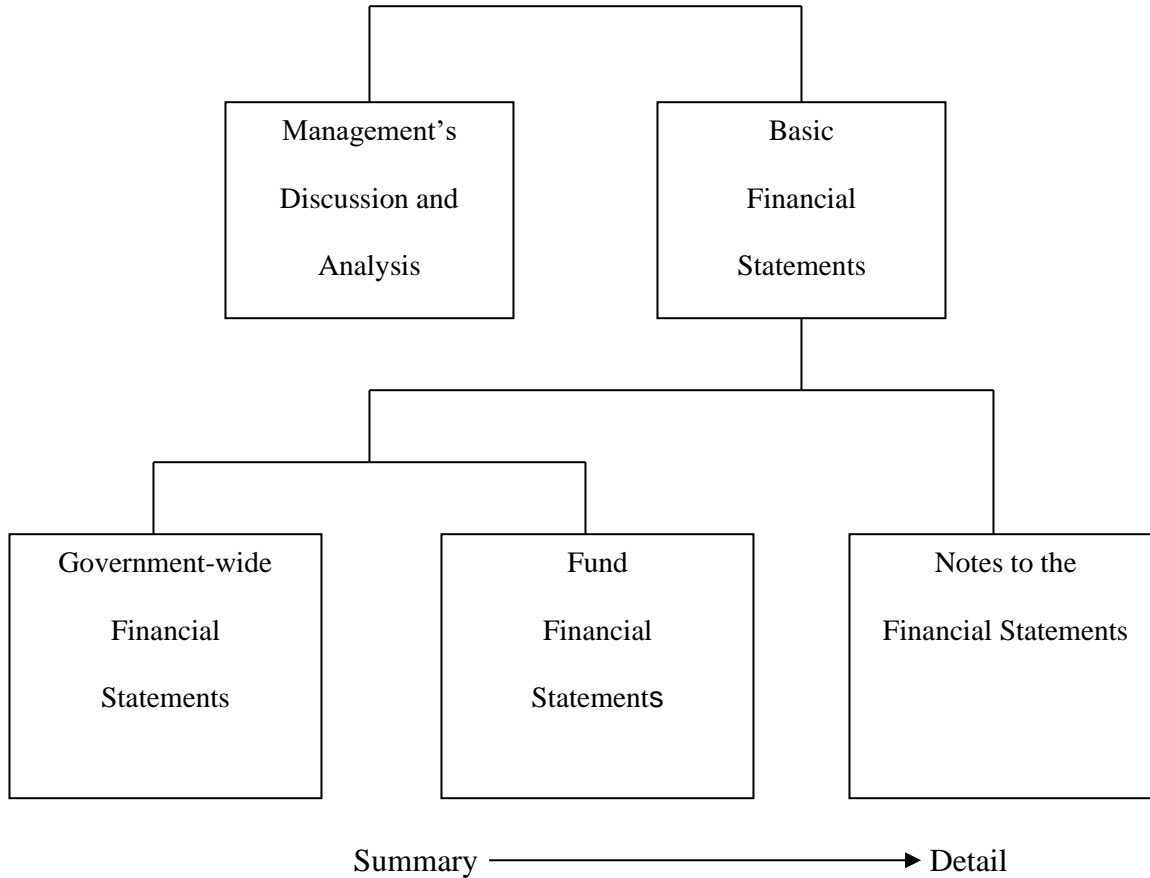
- The assets and deferred outflows of resources of the Town of Archer Lodge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,379,948 (*net position*).
- The government's total net position increased by \$446,465.
- As of the close of the current fiscal year, the Town of Archer Lodge's governmental funds reported combined ending fund balances of \$2,656,177 with a net change of \$294,621 in fund balances.
- Approximately 6 percent of this total amount, or \$144,541, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,243,168 or 110% of total general fund expenditures for the fiscal year.
- The Town of Archer Lodge's total debt decreased by \$110,334 (11%) during the current fiscal year.
- The investment earnings from investing temporarily idle cash with NC Capital Management Trust decreased by 70.0% 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 continued to work on a new park project that will include softball and baseball fields, playground, trails, walkways, and parking. Bids were received but all rejected due to higher than anticipated costs and there were only two responsive submitted bids.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligations to provide

pension benefits to its employees. Required supplementary information can be found in 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	
	2021	2020	2021	2020
Current and other assets	\$ 2 711 268	\$ 2 405 204	\$ 2 711 268	\$ 2 405 204
Capital assets	1 595 229	1 553 346	1 595 229	1 553 346
Deferred outflows of resources	34 643	27 255	34 643	27 255
Total assets and deferred outflows of resources	4 341 140	3 985 805	4 341 140	3 985 805
Long-term liabilities outstanding	905 764	1 007 515	905 764	1 007 515
Other liabilities	54 405	43 426	54 405	43 426
Deferred inflows of resources	1 023	1 381	1 023	1 381
Total liabilities and deferred inflows of resources	961 192	1 052 322	961 192	1 052 322
Net Position:				
Net investment in capital assets	744 228	592 012	744 228	592 012
Restricted	144 541	88 633	144 541	88 633
Unrestricted	2 491 179	2 252 838	2 491 179	2 252 838
Total net position	\$ 3 379 948	\$ 2 933 483	\$ 3 379 948	\$ 2 933 483

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 \$3,379,948 as of June 30, 2021. The Town's net position increased by \$446,465 for the fiscal year ended June 30, 2021. However, the largest portion (74%) reflects the Town's unrestricted net assets. A balance of \$744,228 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 \$144,541 (5%) 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 99.85%, which is higher than the statewide average of 98.96% for similar sized municipalities.
- Spending levels being significantly lower (11%) than budgeted amounts.

Town of Archer Lodge's Changes in Net Position
Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2021</u>	<u>Governmental</u> <u>Activities</u> <u>2020</u>	<u>Total</u> <u>2021</u>	<u>Total</u> <u>2020</u>
Revenues:				
Program revenues				
Charges for services	\$ 48 810	\$ 25 310	\$ 48 810	\$ 25 310
Operating grants and contributions	52 901	54 705	52 901	54 705
Capital grants and contributions	44 075	-	44 075	-
General Revenues				
Property taxes	869 886	839 633	869 886	839 633
Other taxes	486 463	434 054	486 463	434 054
Investment earnings	8 426	28 011	8 426	28 011
Other	265	5 562	265	5 562
Total revenues	<u>1 510 826</u>	<u>1 387 275</u>	<u>1 510 826</u>	<u>1 387 275</u>
Expenses:				
General government	440 046	457 998	440 046	457 998
Public safety	350 100	335 684	350 100	335 684
Transportation	18 787	43 010	18 787	43 010
Economic and physical development	135 318	138 994	135 318	138 994
Cultural and recreation	85 382	40 150	85 382	40 150
Interest on long-term debt	34 728	34 911	34 728	34 911
Total expenses	<u>1 064 361</u>	<u>1 050 747</u>	<u>1 064 361</u>	<u>1 050 747</u>
Increase in net position	446 465	336 528	446 465	336 528
Net position beginning	<u>2 933 483</u>	<u>2 596 955</u>	<u>2 933 483</u>	<u>2 596 955</u>
Net position, June 30	<u>\$ 3 379 948</u>	<u>\$ 2 933 483</u>	<u>\$ 3 379 948</u>	<u>\$ 2 933 483</u>

Governmental activities: Governmental activities increased the Town's net position by \$446,465 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 41.9% higher than expenses incurred by the Town.
- The Town receives 38.6% 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 \$52,901.

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 \$1,243,168 while total Fund Balance reached \$2,656,177. The Town currently has an available fund balance of 109% of general fund expenditures, while total fund balance represents 233% of that same amount.

At June 30, 2021, the governmental funds of Town of Archer Lodge reported a combined fund balance of \$2,656,177 with a net increase in fund balance of \$294,621. 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 \$155,445 in 2021.

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, 2021, totals \$1,595,228 (net of accumulated depreciation). These assets include land, buildings, and equipment.

During the year which ended June 30, 2021.

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

	Governmental Activities		Total	
	2021	2020	2021	2020
Land	\$ 804 123	\$ 804 123	\$ 804 123	\$ 804 123
Construction in progress	103 413	27 100	103 413	27 100
Buildings	662 314	689 891	662 314	689 891
Equipment	2 327	6 986	2 327	6 986
Infrastructure	23 052	25 246	23 052	25 246
Total capital assets	<u>\$ 1 595 229</u>	<u>\$ 1 553 346</u>	<u>\$ 1 595 229</u>	<u>\$ 1 553 346</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, 2021, the Town of Archer Lodge had total debt outstanding of \$851,000. 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

	Governmental Activities		Total	
	2021	2020	2021	2020
Installment Purchase	\$ 851 000	\$ 961 334	\$ 851 000	\$ 961 334
Total	\$ 851 000	\$ 961 334	\$ 851 000	\$ 961 334

Town of Archer Lodge’s Outstanding Debt. The Town of Archer Lodge’s total debt decreased by \$110,334 during the past fiscal year. During the fiscal year, principal payments of \$33,334 were made the original Town Hall building, \$50,000 on the park land, and \$270,000 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 \$31,593 000.

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 2021 was 4.4% as compared to 4.6% for the State of North Carolina, a decrease for both data units from 2020 due mainly to some recovery of the financial impact of the COVID-19 pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The ad valorem tax rate was maintained at \$0.22 per \$100 valuation, with no anticipated increase in property tax revenue. The total Town budgeted expenditures are expected to increase by over \$270,00 from the final 2020-2021 budget. The Town made no appropriation of fund balance for subsequent year’s expenditures.

Some of the main expenditures in the 2021-2022 Budget include:

- Forty percent of the property tax revenue funds the Archer Lodge Fire Department estimated at \$348,000 (or 20.97% of the total budget).
- Debt service payments of \$140,985 for the town hall, town hall expansion, and park loans (a reduction of \$4,085).
- Funding for future capital projects of \$185,000.
- 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) \$52,250.
- Funding for a 2.6% COLA and for potential performance-based merit increases of up to 2% is provided.
- Funding provided to allow for a full-time Town Administrator by mid-year.
- Funding for a part-time Parks & Recreation Director
- Purchase of pick-up truck for Parks & Recreation
- Funding of \$95,000 from the Capital Reserve Funds to pave the parking lot at the Archer Lodge Town Park.

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, 2021

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2 565 159	\$ 2 565 159
Taxes receivables (net)	2 171	2 171
Accrued interest receivable	463	463
Due from other governments	99 400	99 400
Restricted cash & cash equivalents	44 075	44 075
Total current assets	2 711 268	2 711 268
Non-current assets:		
Capital assets:		
Land, non-depreciable improvements, and construction in progress	907 535	907 535
Other capital assets, net of depreciation	687 694	687 694
Total capital assets	1 595 229	1 595 229
Total assets	4 306 497	4 306 497
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	34 643	34 643
Total deferred outflows of resources	34 643	34 643
LIABILITIES		
Current liabilities:		
Accounts payable	51 793	51 793
Accrued interest payable	2 612	2 612
Current portion of long-term liabilities	110 334	110 334
Total current liabilities	164 739	164 739
Long-term liabilities:		
Net pension liability	42 166	42 166
Compensated absences	12 597	12 597
Due in more than one year	740 667	740 667
Total liabilities	960 169	960 169
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	663	663
Pension deferrals	360	360
Total deferred inflows of resources	1 023	1 023
NET POSITION		
Net investment in capital assets	744 228	744 228
Restricted for:		
Stabilization by State Statute	100 466	100 466
Capital projects	44 075	44 075
Unrestricted	2 491 179	2 491 179
Total net position	\$ 3 379 948	\$ 3 379 948

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, 2021**

<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	\$ 440 046	\$ -	\$ 52 901	\$ -	\$ (387 145)	\$ (387 145)
Public safety	350 100	25	-	-	(350 075)	(350 075)
Transportation	18 787	-	-	-	(18 787)	(18 787)
Economic & physical development	135 318	8 785	-	-	(126 533)	(126 533)
Cultural and recreation	85 382	40 000	-	44 075	(1 307)	(1 307)
Interest on long-term debt	34 728	-	-	-	(34 728)	(34 728)
	<u>1 064 361</u>	<u>48 810</u>	<u>52 901</u>	<u>44 075</u>	<u>(918 575)</u>	<u>(918 575)</u>
Total governmental activities	1 064 361	48 810	52 901	44 075	(918 575)	(918 575)
Total primary government	<u>\$ 1 064 361</u>	<u>\$ 48 810</u>	<u>\$ 52 901</u>	<u>\$ 44 075</u>	<u>(918 575)</u>	<u>(918 575)</u>
General revenues						
Taxes:						
Property taxes levied for general purpose					869 886	869 886
Other taxes					486 463	486 463
Unrestricted investment earnings					8 426	8 426
Miscellaneous					265	265
Total general revenues					<u>1 365 040</u>	<u>1 365 040</u>
Change in net position					446 465	446 465
Net position, beginning, previously reported					2 933 483	2 933 483
Net position, ending					<u>\$ 3 379 948</u>	<u>\$ 3 379 948</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, 2021**

	Major Funds							
	General Fund	Capital Reserve Fund	Park Reserve Fund	Public Safety Reserve Fund	Total Non-Major Funds	Total Governmental Funds		
ASSETS								
Cash and cash equivalents	\$ 1 296 691	\$ 560 278	\$ 327 079	\$ 381 111	\$ -	\$ 2 565 159		
Restricted cash	-	-	-	-	44 075	44 075		
Receivables, net:								
Taxes	2 391	-	-	-	-	2 391		
Due from other governments	99 399	-	-	-	-	99 399		
Total assets	<u>1 398 481</u>	<u>560 278</u>	<u>327 079</u>	<u>381 111</u>	<u>44 075</u>	<u>2 711 024</u>		
LIABILITIES								
Accounts payable and accrued liabilities	51 793	-	-	-	-	51 793		
Total liabilities	<u>51 793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51 793</u>		
DEFERRED INFLOWS OF RESOURCES								
Property taxes receivable	2 391	-	-	-	-	2 391		
Prepaid taxes	663	-	-	-	-	663		
Total deferred inflows of resources	<u>3 054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 054</u>		
FUND BALANCES								
Restricted								
Stabilization by State Statute	100 466	-	-	-	-	100 466		
Capital projects	-	-	-	-	44 075	44 075		
Assigned								
Future Capital projects	-	560 278	327 079	-	-	887 357		
Public safety	-	-	-	381 111	-	381 111		
Unassigned	1 243 168	-	-	-	-	1 243 168		
Total fund balances	<u>1 343 634</u>	<u>560 278</u>	<u>327 079</u>	<u>381 111</u>	<u>44 075</u>	<u>2 656 177</u>		
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1 398 481</u>	<u>\$ 560 278</u>	<u>\$ 327 079</u>	<u>\$ 381 111</u>	<u>\$ 44 075</u>	<u>\$ 2 711 024</u>		

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

**Town of Archer Lodge
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2021**

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

Total Fund Balance, Governmental Funds	\$	2 656 177
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Gross capital assets at historical cost		1 848 463
Accumulated depreciation		<u>(253 234)</u>
		1 595 229
Deferred outflows of resources related to pensions are not reported in the funds		34 643
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.		463
Earned revenues considered deferred inflows of resources in fund statements.		2 171
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds		
Gross long-term debt beginning		(961 334)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)		<u>110 334</u>
Net pension liability		(851 000)
		(42 166)
Deferred inflows of resources related to pensions are not reported in the funds		(360)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		(2 612)
Compensated absences		<u>(12 597)</u>
Net position of governmental activities	\$	<u><u>3 379 948</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, 2021

	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	\$ 869 422	\$ -	\$ -	\$ -	\$ -	\$ 869 422
Unrestricted intergovernmental	486 462	-	-	-	-	486 462
Restricted intergovernmental	52 901	-	-	-	44 075	96 976
Permits and fees	48 810	-	-	-	-	48 810
Investment earnings	4 281	1 783	1 121	1 241	-	8 426
Miscellaneous	21	-	-	-	-	21
Total revenues	1 461 897	1 783	1 121	1 241	44 075	1 510 117
EXPENDITURES						
Current:						
General government	402 049	-	-	-	-	402 049
Public Safety	350 100	-	-	-	-	350 100
Transportation	18 787	-	-	-	-	18 787
Economic and physical development	138 048	-	-	-	-	138 048
Culture and recreation	85 381	-	-	-	-	85 381
Debt service:						
Principal	110 334	-	-	-	-	110 334
Interest and other charges	34 728	-	-	-	-	34 728
Capital outlay	-	-	-	-	76 313	76 313
Total expenditures	1 139 427	-	-	-	76 313	1 215 740
Excess (deficiency) of revenues over expenditures	322 470	1 783	1 121	1 241	(32 238)	294 377
OTHER FINANCING SOURCES (USES)						
Transfer from other funds	65 099	50 000	155 445	50 000	76 313	396 857
Transfer to other funds	(255 445)	-	(140 313)	-	(1 099)	(396 857)
Sale of fixed assets	244	-	-	-	-	244
Total other financing sources(uses)	(190 102)	50 000	15 132	50 000	75 214	244
Net change in fund balance	132 368	51 783	16 253	51 241	42 976	294 621
Fund balances, beginning	1 211 266	508 495	310 826	329 870	1 099	2 361 556
Fund balances, ending	\$ 1 343 634	\$ 560 278	\$ 327 079	\$ 381 111	\$ 44 075	\$ 2 656 177

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, 2021

Net changes in fund balances – total governmental funds \$ 294 621

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	\$ 76 313	
Depreciation expense for governmental assets	<u>(34 430)</u>	41 883

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	17 558
--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	463
---	-----

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	110 334
--------------------------------------	---------

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	(1 645)	
Pension expense	<u>(16 749)</u>	<u>(18 394)</u>

Total changes in net position of governmental activities	\$	<u><u>446 465</u></u>
--	----	-----------------------

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

Town of Archer Lodge, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 846 000	\$ 869 900	\$ 869 422	\$ (478)
Unrestricted intergovernmental	341 710	474 710	486 462	11 752
Restricted intergovernmental	53 000	53 000	52 901	(99)
Permits and fees	35 140	49 140	48 810	(330)
Investment earnings	16 000	4 000	4 281	281
Miscellaneous	-	100	21	(79)
Total revenues	<u>1 291 850</u>	<u>1 450 850</u>	<u>1 461 897</u>	<u>11 047</u>
Expenditures:				
Current:				
General government	452 014	467 964	402 049	65 915
Public safety	334 000	350 500	350 100	400
Transportation	53 000	50 250	18 787	31 463
Economic & physical development	156 767	159 567	138 048	21 519
Cultural and recreation	45 000	87 000	85 381	1 619
Debt service:				
Principal retirement	110 336	110 336	110 334	2
Interest and other charges	34 733	34 733	34 728	5
Total expenditures	<u>1 185 850</u>	<u>1 260 350</u>	<u>1 139 427</u>	<u>120 923</u>
Revenues over (under) expenditures	<u>106 000</u>	<u>190 500</u>	<u>322 470</u>	<u>131 970</u>
Other financing sources (uses):				
Transfers from other funds	64 000	65 100	65 099	(1)
Transfers to other funds	(170 000)	(256 000)	(255 445)	555
Sale of fixed assets	-	400	244	(156)
Total other financing sources (uses)	<u>(106 000)</u>	<u>(190 500)</u>	<u>(190 102)</u>	<u>398</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	132 368	\$ <u>132 368</u>
Fund balances, beginning			<u>1 211 266</u>	
Fund balances, ending			<u>\$ 1 343 634</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, 2021

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 Town has no proprietary nor fiduciary funds to report. 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. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year 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 of Resources and Fund Equity

1. Deposits and Investments

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

The unexpended grant proceeds from the NC Parks and Recreation Trust fund are classified as restricted assets for the park's expansion project.

Town of Archer Lodge Restricted Cash
 Governmental Activities
 Parks Capital Projects Fund

	Parks & Recreation	\$	44 075
Total Restricted Cash		\$	<u>44 075</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

6. 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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life 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

8. Deferred outflows/inflows of resources

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

9. 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.

10. Compensated Absences

The vacation policy of the Town provides 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 taken, no accrual for sick leave has been made.

11. 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.

12. 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, 2021, the Town's deposits had a carrying amount of \$2,605,371 and a bank balance of \$2,608,989. 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, 2021, the Town of Archer Lodge had \$3,863 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, 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	76 313	-	103 413
Total capital assets not being depreciated	<u>831 223</u>	<u>76 313</u>	<u>-</u>	<u>907 536</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	128 205	27 576	-	155 781
Equipment	82 916	4 659	-	87 575
Infrastructure	7 683	2 195	-	9 878
Total accumulated depreciation	<u>218 804</u>	<u>\$ 34 430</u>	<u>\$ -</u>	<u>253 234</u>
Total capital assets being depreciated, net	<u>722 123</u>			<u>687 693</u>
Governmental activity capital assets, net	<u>\$ 1 553 346</u>			<u>\$ 1 595 229</u>

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

General government	\$ 34 430
Total depreciation expense	<u>\$ 34 430</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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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, 2021, was 10.85% 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 \$17,558 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$42,166 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town’s proportion was 0.00118%, which was a decrease of 0.00011% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$16,749. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5 325	\$ -
Changes in assumptions	3 138	-
Net difference between projected and actual earnings on pension plan investments	5 934	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2 688	360
Town contributions subsequent to the measurement date	17 558	-
Total	<u>\$ 34 643</u>	<u>\$ 360</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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 4 790
2023	6 493
2024	3 686
2025	1 756
2026	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation & 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, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

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

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

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 85 551	\$ 42 166	\$ 6 111

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

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	\$ 16 749	\$ 16 749
Pension Liability	42 166	42 166
Proportionate share of the net pension liability	0.00118%	0.00118%
Deferred Outflows of Resources:		
Differences between expected and actual experience	5 325	5 325
Changes of assumptions	3 138	3 138
Net difference between projected and actual earnings on plan investments	5 934	5 934
Changes in proportion and differences between contributions and proportionate share of contributions	2 688	2 688
Benefit payments and administrative costs paid subsequent to the measurement date	17 558	17 558
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	360	360

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, 2021, were \$27,268 which consisted of \$17,558 from the Town and \$9,710 from the general employees.

2. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contribution to pension plan in current fiscal year	\$ 17 558
Differences between expected and actual experience	5 325
Changes in assumptions	3 138
Net difference between projected and actual	5 934
Changes in proportion and differences between employer contributions and proportionate share of contributions	2 688
Total	\$ <u>34 643</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid Taxes (General Fund)	\$ 663	\$ 663
Taxes receivable (General Fund), less penalties	-	2 391
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	360	-
Total	\$ <u>1 023</u>	\$ <u>3 054</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 and “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, 2021, 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, 2021, including \$23,870 of interest, are as follows:

Year Ending June 30	Principal	Interest
2022	\$ 33 333	\$ 6 820
2023	33 334	5 683
2024	33 333	4 547
2025	33 333	3 410
2026	33 333	2 273
2027	33 334	1 137
Total	<u>\$ 200 000</u>	<u>\$ 23 870</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, 2021, including \$42,000 of interest, are as follows:

Year Ending June 30	Principal	Interest
2022	\$ 50 000	\$ 12 000
2023	50 000	10 000
2024	50 000	8 000
2025	50 000	6 000
2026	50 000	4 000
2027	50 000	2 000
Total	<u>\$ 300 000</u>	<u>\$ 42 000</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, 2021, including \$82,846 of interest are as follows:

Year Ending June 30	Principal	Interest
2022	\$ 27 000	\$ 11 829
2023	27 000	10 919
2024	27 000	10 009
2025	27 000	9 124
2026	27 000	8 189
2027-2031	135 000	27 312
2032-2034	81 000	5 464
Total	\$ 351 000	\$ 82 846

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 961 334	\$ -	\$ 110 334	\$ 851 000	\$ 110 333
Net pension liability (LRS)	35 229	6 937	-	42 166	-
Compensated absences	10 952	1 645	-	12 597	-
Governmental activities long – term liabilities	<u>\$ 1 007 515</u>	<u>\$ 8 582</u>	<u>\$ 110 334</u>	<u>\$ 905 763</u>	<u>\$ 110 333</u>

C. Interfund Balances and Activity

There were no balances due to/from other funds at June 30, 2021.

Transfers to/from other funds at June 30, 2021, consists of the following:

From the General Fund to the Capital Reserve Fund	\$ 50 000
From the General Fund to Park Reserve Fund	155 445
From the General Fund to the Public Safety Reserve Fund	50 000
From the Capital Project Town Hall Expansion Fund to the General Fund	1 099
From the Park Reserve Fund to the General Fund	64 000
From the Park Reserve Fund to the Capital Project Town Park Fund	76 313
Total transfers	\$ <u>396 857</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. Since the Town of Archer Lodge was first incorporated, the governing board has chosen to set aside funds for future law enforcement needs and for future general capital needs. In addition, three cents of the twenty-two cents ad valorem tax rate have been assigned each year to a Park Reserve Fund. Collections of this tax is accounted for in the General Fund and transferred each year to the Park Reserve Fund. Since the Town Hall Expansion project was initially funded by transfers from the General Fund by way of the Capital Reserve Fund, the remaining balance of \$1,099 at the end of the project was transferred in 2021 back to the General Fund. The Town set up a separate Capital Project Fund for the Parks project and it is partially funded by transfers from the Park Reserve fund.

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	\$ 1 343 634
Less:	
Stabilization by State Statute	100 466
Remaining Fund Balance	1 243 168

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

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

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 Eight Fiscal Years*

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Archer Lodge's proportion of the net pension liability (asset) (%)	0.00118%	0.00129%	0.00139%	0.00121%	0.00139%	0.00059%	0.00017%	0.0000%
Archer Lodge's proportion of the net pension liability (asset)	\$ 42 166	35 229	32 976	18 485	29 500	2 648	(1 003)	-
Archer Lodge's covered employee payroll	\$ 117 292	108 711	100 663	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	35.95%	32.41%	32.76%	27.24%	50.38%	5.72%	(2.83%)	0.00%
Plan fiduciary net position as a percentage of total pension liability	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17 558	\$ 11 307	\$ 9 284	\$ 8 284	\$ 5 323	\$ 4 216	\$ 3 520	\$ 2 697
Contributions in relation to the contractually required contribution	17 558	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>	<u>\$ -</u>
Archer Lodge's covered employee payroll	\$ 161 828	\$ 117 292	\$ 108 711	\$ 100 663	\$ 67 849	\$ 58 551	\$ 46 313	\$ 35 490
Contributions as a percentage of covered-employee payroll	10.85%	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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 867 528	\$
Interest		1 894	
Total	<u>869 900</u>	<u>869 422</u>	<u>(478)</u>
Unrestricted intergovernmental:			
Local option sales taxes		273 934	
Franchise taxes		156 955	
Beer and wine tax		21 952	
ABC profit distribution		33 621	
Total	<u>474 710</u>	<u>486 462</u>	<u>11 752</u>
Restricted intergovernmental:			
PEG channel support		52 901	
Total	<u>53 000</u>	<u>52 901</u>	<u>(99)</u>
Permits and fees:			
Planning and zoning revenue		8 785	
Animal control fees		25	
Fees in lieu of recreation		40 000	
Total	<u>49 140</u>	<u>48 810</u>	<u>(330)</u>
Investment earnings	<u>4 000</u>	<u>4 281</u>	<u>281</u>
Miscellaneous:			
Miscellaneous		21	
Total	<u>100</u>	<u>21</u>	<u>(79)</u>
Total Revenues	<u>1 450 850</u>	<u>1 461 897</u>	<u>11 047</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Town Council			
Salaries and employee benefits		11 303	
Other operating expenditures		22 896	
Total	<u>48 679</u>	<u>34 199</u>	<u>14 480</u>
Administration:			
Salaries and employee benefits		181 757	
Professional services		10 500	
Contracted services		13 106	
PEG Media Group		52 901	
Other operating expenditures		28 917	
Total	<u>318 585</u>	<u>287 181</u>	<u>31 404</u>
Tax Collections:			
Collection fees		22 768	
Total	<u>26 000</u>	<u>22 768</u>	<u>3 232</u>
Legal:			
Contracted services		14 644	
Total	<u>15 500</u>	<u>14 644</u>	<u>856</u>
Tax			
Taxes		37	
Total	<u>100</u>	<u>37</u>	<u>63</u>
Public Buildings			
Utility service fees		13 052	
Repairs and maintenance		1 865	
Contracted services		21 561	
Other operating expenses		6 742	
Total	<u>59 100</u>	<u>43 220</u>	<u>15 880</u>
Total general government	<u>467 964</u>	<u>402 049</u>	<u>65 915</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police and Animal Control:			
Other operating services		2 477	
Total	<u>5 500</u>	<u>2 477</u>	<u>3 023</u>
Fire:			
Fire protection services		347 623	
Total	<u>345 000</u>	<u>347 623</u>	<u>(2 623)</u>
Total public safety	<u>350 500</u>	<u>350 100</u>	<u>400</u>
Transportation:			
Streets and highways:			
Street lighting		5 335	
Other operating expenditures		13 452	
Total transportation	<u>50 250</u>	<u>18 787</u>	<u>31 463</u>
Economic and physical development:			
Planning and zoning:			
Salaries and employee benefits		78 174	
Other operating expenditures		3 852	
Contracted services		56 022	
Total economic and physical development	<u>159 567</u>	<u>138 048</u>	<u>21 519</u>
Culture and recreation			
Parks and recreation			
Professional fees		27 964	
Other operating expenditures		17 417	
Contracted services		40 000	
Total culture and recreation	<u>87 000</u>	<u>85 381</u>	<u>1 619</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, 2021**

	Budget	Actual	Variance Positive (Negative)
Debt Service			
Principal retirement	110 336	110 334	2
Interest and other charges	34 733	34 728	5
Total debt service	145 069	145 062	7
 Total expenditures	 1 260 350	 1 139 427	 120 923
 Revenues over (under) expenditures	 190 500	 322 470	 131 970
 Other financing sources (uses):			
Transfers from other funds:			
Park Reserve Fund	64 000	64 000	-
Capital Project Town Hall Expansion Fund	1 100	1 099	(1)
Transfers to other funds:			
Capital Reserve Fund	(50 000)	(50 000)	-
Parks Reserve Fund	(156 000)	(155 445)	555
Public Safety Reserve Fund	(50 000)	(50 000)	-
Sale of fixed assets	400	244	(156)
Total	(190 500)	(190 102)	398
 Fund balance appropriated	 -	 -	 -
 Net change in fund balance	 \$ -	 132 368	 \$ 132 368
 Fund balances, beginning		 1 211 266	
Fund balances, ending		 \$ 1 343 634	

Town of Archer Lodge, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
For the Year Ended June 30, 2021

	Capital Project Town Hall Expansion Fund	Capital Project Town Park Fund	Total Non-Major Governmental Funds
Assets			
Due from other governments	\$ -	\$ 44 075	\$ 44 075
Total assets	-	44 075	44 075
Liabilities and Fund Balances			
Fund balances:			
Restricted	-	44 075	44 075
Total liabilities and fund balances	\$ -	\$ 44 075	\$ 44 075

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, 2021

	<u>Capital Project Town Hall Expansion Fund</u>	<u>Capital Project Town Park Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenue			
Restricted intergovernmental			
State grant	\$ -	\$ 44 075	\$ 44 075
Total revenue	<u>-</u>	<u>44 075</u>	<u>44 075</u>
Expenditures			
Construction	<u>-</u>	<u>76 313</u>	<u>76 313</u>
Total expenditures	<u>-</u>	<u>76 313</u>	<u>76 313</u>
Revenues over expenditures	-	(32 238)	(32 238)
Other financing sources (uses)			
Transfers from other funds	-	76 313	76 313
Transfers (to) other funds	<u>(1 099)</u>	<u>-</u>	<u>(1 099)</u>
Total other financing sources	<u>(1 099)</u>	<u>76 313</u>	<u>75 214</u>
Fund balance beginning	<u>1 099</u>	<u>-</u>	<u>1 099</u>
Fund balance ending	<u>\$ -</u>	<u>\$ 44 075</u>	<u>\$ 44 075</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, 2021**

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
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	<u>(450 000)</u>	<u>(415 446)</u>	<u>-</u>	<u>(415 446)</u>	<u>34 554</u>
Other Financing Sources/Use					
Installment purchase obligation	405 000	405 000	-	405 000	-
Interfund transfers:					
From(to) General Fund	<u>45 000</u>	<u>11 545</u>	<u>(1 099)</u>	<u>10 446</u>	<u>(34 554)</u>
Total other financing sources	<u>450 000</u>	<u>416 545</u>	<u>(1 099)</u>	<u>415 446</u>	<u>(34 554)</u>
Revenues over(under expenditures)	<u>\$ -</u>	<u>\$ 1 099</u>	<u>(1 099)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance Beginning			<u>1 099</u>		
Fund Balance Ending			<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, 2021**

	Budget	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
State Grant	\$ 500 000	\$ -	\$ 44 075	\$ 44 075	\$ (455 925)
Total revenues	<u>500 000</u>	<u>-</u>	<u>44 075</u>	<u>44 075</u>	<u>(455 925)</u>
Expenditures					
Capital outlay:					
Design/engineering	146 342	27 100	76 313	103 413	42 929
Construction	813 008	-	-	-	813 008
Contingency	40 650	-	-	-	40 650
Total Expenditures	<u>1 000 000</u>	<u>27 100</u>	<u>76 313</u>	<u>103 413</u>	<u>896 587</u>
Revenues under expenditures	(500 000)	(27 100)	(32 238)	(59 338)	440 662
Other Financing Sources/Uses					
Interfund transfers					
Transfers from other funds					
From Park Reserve Fund	500 000	27 100	76 313	103 413	(396 587)
Total other financing sources	<u>500 000</u>	<u>27 100</u>	<u>76 313</u>	<u>103 413</u>	<u>(396 587)</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	44 075	\$ <u>44 075</u>	\$ <u>44 075</u>
Fund Balance Beginning			-		
Fund Balance Ending			\$ <u>44 075</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ 1 800	\$ 1 783	\$ (17)
Total revenues	<u>1 800</u>	<u>1 783</u>	<u>(17)</u>
Expenditures:			
Current:	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>1 800</u>	<u>1 783</u>	<u>(17)</u>
Other financing sources:			
Interfund transfers			
Transfer from general fund	50 000	50 000	-
Transfer to general fund	<u>(51 800)</u>	<u>-</u>	<u>51 800</u>
Total other financing sources	<u>(1 800)</u>	<u>50 000</u>	<u>51 800</u>
Net change in fund balance	\$ <u><u>-</u></u>	51 783	\$ <u><u>51 783</u></u>
Fund balance, beginning		<u>508 495</u>	
Fund balance, ending		\$ <u><u>560 278</u></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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 1 100	\$ 1 121	\$ 21
Total revenues	1 100	1 121	21
Expenditures:			
Recreation Development	800	-	800
Total expenditures	800	-	800
Revenues under expenditures	300	1 121	821
Other financing sources:			
Interfund transfers			
Transfer from General Fund	156 000	155 445	(555)
Transfer to Archer Lodge town Park fund	(92 300)	(76 313)	15 987
Transfer to general fund	(64 000)	(64 000)	-
Total other financing sources	(300)	15 132	15 432
Fund balance appropriated	-	-	
Net change in fund balance	\$ -	16 253	\$ 16 253
Fund balance, beginning		310 826	
Fund balance, ending		\$ 327 079	

**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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 1 250	\$ 1 241	\$ (9)
Total revenues	<u>1 250</u>	<u>1 241</u>	<u>(9)</u>
Expenditures:			
Public Safety	<u>51 250</u>	-	-
Total expenditures	<u>51 250</u>	<u>-</u>	<u>51 250</u>
Revenues over(under) expenditures	<u>(50 000)</u>	<u>1 241</u>	<u>51 241</u>
Other financing sources:			
Interfund transfers			
Transfer from general fund	<u>50 000</u>	<u>50 000</u>	<u>-</u>
Total other financing sources	<u>50 000</u>	<u>50 000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>-</u></u>	51 241	\$ <u><u>51 241</u></u>
Fund balance, beginning		<u>329 870</u>	
Fund balance, ending		\$ <u><u>381 111</u></u>	

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, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 868 818	\$ 867 529	\$ 1 289
2019-2020	1 810	-	980	830
2018-2019	33	-	24	9
2017-2018	15	-	7	8
2016-2017	33	-	23	10
2015-2016	-	8	-	8
2014-2015	-	-	-	-
2013-2014	26	-	10	16
2012-2013	1	-	-	1
2011-2012	10	-	10	-
	<u>\$ 1 928</u>	<u>\$ 868 826</u>	<u>\$ 868 583</u>	<u>\$ 2 171</u>
		Ad valorem taxes receivable - net		<u>\$ 2 171</u>

Reconcilement with revenues:

Ad valorem taxes – General Fund	\$ 869 422
Reconciling items:	
Interest collected	(1 894)
Taxes written off	<u>1 055</u>
Subtotal	<u>(839)</u>
Total collections and credits	<u>\$ 868 583</u>

Town of Archer Lodge, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2021

	<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	\$ 392 405 909	0.22	\$ 863 293	749 104	\$ 114 189
Penalties	-		-	-	-
Total	<u>302 405 909</u>		<u>863 293</u>	<u>749 104</u>	<u>114 189</u>
Discoveries:					
Current year taxes	<u>2 883 636</u>	0.22	<u>6 344</u>	<u>6 344</u>	<u>-</u>
Releases	<u>(372 273)</u>	0.22	<u>(819)</u>	<u>(819)</u>	<u>-</u>
Total property valuation	<u>\$ 394 917 272</u>				
Net levy			868 818	754 629	114 189
Uncollected taxes at June 30, 2021			<u>(1 289)</u>	<u>(1 289)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 867 529</u>	<u>\$ 753 340</u>	<u>\$ 114 189</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.83%</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, 2021, 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 October 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 are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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
October 31, 2021