

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/Budget Officer
Kim P. Batten, Finance Officer/Assistant Town Administrator
Jenny Martin, Town Clerk/Human Resources Director

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Town of Archer Lodge, North Carolina
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FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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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 Audit of Financial Statements

Opinions

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, 2022, 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.

In our opinion, the accompanying 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 for the Town of Archer Lodge as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and major annually budgeted special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Archer Lodge and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Archer Lodge's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known

information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Archer Lodge's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Archer Lodge's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 44 through 45, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 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 financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date November 30, 2022, 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
November 30, 2022

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, 2022. 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

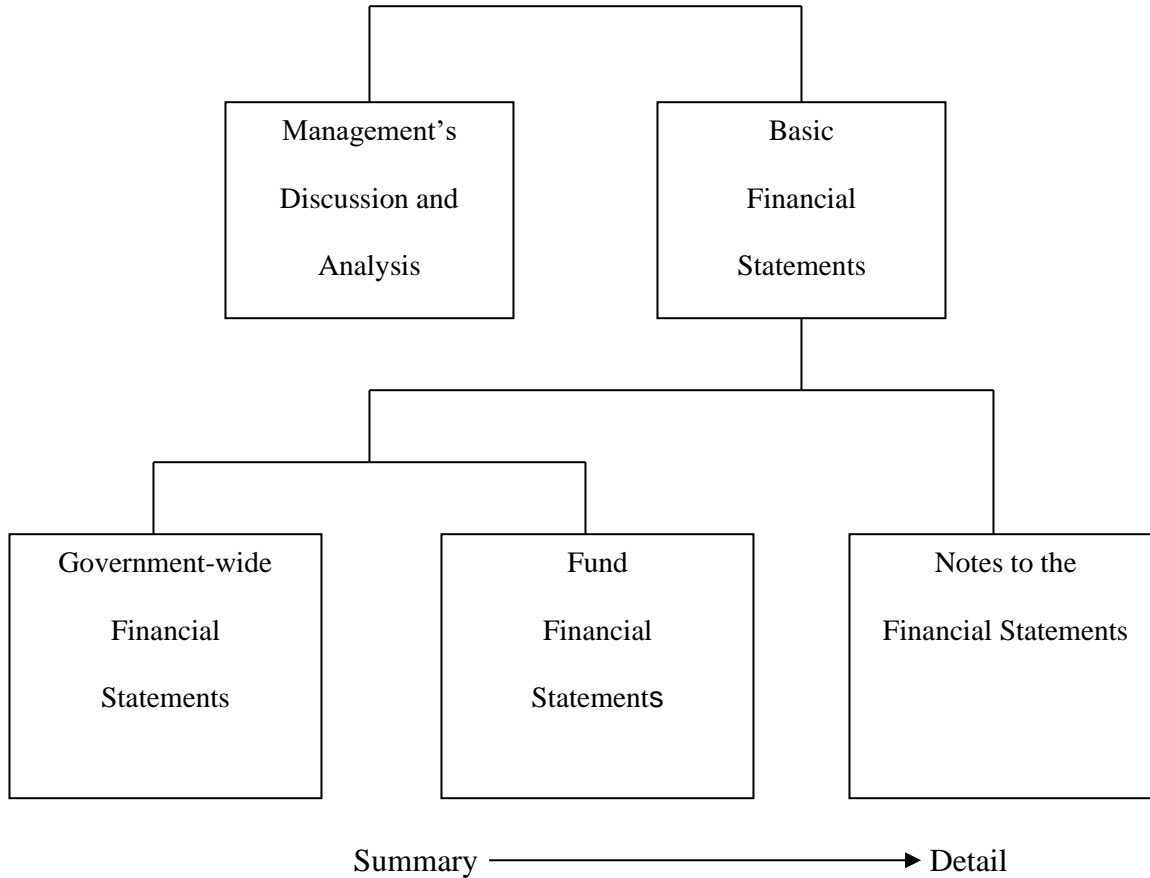
- The assets and deferred outflows of resources of the Town of Archer Lodge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,210,015 (*net position*).
- The government's total net position increased by \$1,830,067.
- As of the close of the current fiscal year, the Town of Archer Lodge's governmental funds reported combined ending fund balances of \$3,757,608 with a net change of \$1,101,431 in fund balances.
- Approximately 37.6 percent of this total amount, or \$1,411,218, is non-spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,465,191 or 88% of total general fund expenditures for the fiscal year.
- The Town of Archer Lodge's total debt decreased by \$110,333 (13%) during the current fiscal year.
- The investment earnings from investing temporarily idle cash with NC Capital Management Trust increased by 30.8% due to additional funds received from federal and state grants.
- 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.

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 26 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	
	2022	2021	2022	2021
Current and other assets	\$ 4 216 828	\$ 2 711 268	\$ 4 216 828	\$ 2 711 268
Capital assets	2 209 998	1 595 229	2 209 998	1 595 229
Deferred outflows of resources	57 370	34 643	57 370	34 643
Total assets and deferred outflows of resources	6 484 196	4 341 140	6 484 196	4 341 140
Long-term liabilities outstanding	779 376	905 764	779 376	905 764
Other liabilities	459 523	54 405	459 523	54 405
Deferred inflows of resources	35 282	1 023	35 282	1 023
Total liabilities and deferred inflows of resources	1 274 181	961 192	1 274 181	961 192
Net Position:				
Net investment in capital assets	1 469 332	744 228	1 469 332	744 228
Restricted	1 659 066	144 541	1 659 066	144 541
Unrestricted	2 081 617	2 491 179	2 081 617	2 491 179
Total net position	\$ 5 210 015	\$ 3 379 948	\$ 5 210 015	\$ 3 379 948

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 \$5,210,015 as of June 30, 2022. The Town's net position increased by \$1,830,067 for the fiscal year ended June 30, 2022. A balance of \$1,469,332 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 \$1,659,066 (31%) 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 99.93%, which is higher than the statewide average of 99.12%.
- Spending levels being significantly lower (13.6%) than budgeted amounts.

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

	<u>Governmental Activities 2022</u>	<u>Governmental Activities 2021</u>	<u>Total 2022</u>	<u>Total 2021</u>
Revenues:				
Program revenues				
Charges for services	\$ 8 835	\$ 48 810	\$ 8 835	\$ 48 810
Operating grants and contributions	51 616	52 901	51 616	52 901
Capital grants and contributions	1 392 976	44 075	1 392 976	44 075
General Revenues				
Property taxes	897 171	869 886	897 171	869 886
Other taxes	501 954	486 463	501 954	486 463
Investment earnings	11 025	8 426	11 025	8 426
Other	15	265	15	265
Total revenues	<u>2 863 592</u>	<u>1 510 826</u>	<u>2 863 592</u>	<u>1 510 826</u>
Expenses:				
General government	459 811	440 046	459 811	440 046
Public safety	359 829	350 100	359 829	350 100
Transportation	31 950	18 787	31 950	18 787
Economic and physical development	103 378	135 318	103 378	135 318
Cultural and recreation	47 908	85 382	47 908	85 382
Interest on long-term debt	30 649	34 728	30 649	34 728
Total expenses	<u>1 033 525</u>	<u>1 064 361</u>	<u>1 033 525</u>	<u>1 064 361</u>
Increase in net position	1 830 067	446 465	1 830 067	446 465
Net position beginning	<u>3 379 948</u>	<u>2 933 483</u>	<u>3 379 948</u>	<u>2 933 483</u>
Net position, June 30	<u>\$ 5 210 015</u>	<u>\$ 3 379 948</u>	<u>\$ 5 210 015</u>	<u>\$ 3 379 948</u>

Governmental activities: Governmental activities increased the Town's net position by \$1,830,067, 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 177% higher than expenses incurred by the Town.
- The Town receives 35% of their operating budget from state-shared revenues including but not limited to utility franchise taxes and sales taxes.
- The Town received \$525,213 from the federal government's American Rescue Plan Act and \$850,000 from the State Capital and Infrastructure Fund, both sources to be used in parks capital projects.
- 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 \$51,616.

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 \$1,571,564 while total Fund Balance reached \$3,757,608. The Town currently has an available fund balance of 122% of general fund expenditures, while total fund balance represents 292% of that same amount.

At June 30, 2022, the governmental funds of Town of Archer Lodge reported a combined fund balance of \$3,757,608 with a net increase in fund balance of \$1,101,431. Included in this change in fund balance is an increase in fund balance in the General Fund, American Rescue Plan Project Fund, State Capital & Infrastructure 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 property tax rate of twenty-two cents (\$0.22). Through this tax, the fund received \$119,163 in 2022.

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, 2022, totals \$2,209,999 (net of accumulated depreciation). These assets include land, buildings, and equipment.

Major capital asset transactions during the year which ended June 30, 2022, included parks construction of \$631,622.

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

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 804 123	\$ 804 123	\$ 804 123	\$ 804 123
Construction in progress	735 035	103 413	735 035	103 413
Buildings	634 739	662 314	634 739	662 314
Equipment	-	2 327	-	2 327
Vehicles	15 245	-	15 245	-
Infrastructure	20 857	23 052	20 857	23 052
Total capital assets	<u>\$ 2 209 999</u>	<u>\$ 1 595 229</u>	<u>\$ 2 209 999</u>	<u>\$ 1 595 229</u>

Additional information on the Town’s capital assets can be found in Note III.A.5 on page 34 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2022, the Town of Archer Lodge had a total debt outstanding of \$740,667. 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	
	2022	2021	2022	2021
Installment Purchase	\$ 740 667	\$ 851 000	\$ 740 667	\$ 851 000
Total	<u>\$ 740 667</u>	<u>\$ 851 000</u>	<u>\$ 740 667</u>	<u>\$ 851 000</u>

Town of Archer Lodge’s Outstanding Debt. The Town of Archer Lodge’s total debt decreased by \$110,333 during the past fiscal year. During the fiscal year, principal payments of \$33,333 were made for the original Town Hall building, \$50,000 on the park land, and \$27,000 for the Town Hall expansion installment purchase obligations. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Archer Lodge is \$32,582,000.

Additional information regarding the Town of Archer Lodge’s long-term debt can be found in Note III.B.5 on page 40 of 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.

- Population estimates made by the NC Department of Budget and Management indicate that as of July 2021, the Town population increased to 5,023, an increase of 4.7% over the 2020 Census count of 4,797. 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.
- The unemployment rate for Johnston County in June 2022 was 3.7% as compared to 4.1% for the State of North Carolina, a decrease for both data units from 2021.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: The ad valorem tax rate was set at \$0.27 per \$100 valuation, an increase of \$0.05. The distribution of the property tax was approved as \$0.09 for the North Side Fired District, \$0.02 for the park reserve (a decrease of one cent), and \$0.16 for the General Operating Fund (an increase of six cents). The total expected property tax revenue is \$1,116,500, an increase of \$218,000 over the previous year. Since the Town also expects to receive additional grant funds from the American Recovery Plan Act (\$525,500) and from the Johnston County Open Space fund (\$83,400), total receipts are budgeted at \$2,632,400,

Some of the main expenditures in the 2022-2023 Budget include:

- Thirty-three percent of the property tax revenue funds the Archer Lodge Fire Department estimated at \$367,500 (or 13.96% of the total budget).
- Debt service payments of \$136,940 for the town hall, town hall expansion, and park loans (a reduction of \$4,045).
- Funding for recreational programs at the Archer Lodge Community Center of \$26,750.
- PEG channel support from the NC Department of Revenue and contribution to East Wake Television (PEG Media Partners) \$51,500.
- Funding for a 3.0% COLA and for a 2% 401k town contribution increase.
- Funding provided to allow for a full-time Town Administrator by mid-year.
- Funding for a full-time position for Parks & Recreation.
- Purchase of pick-up truck (\$50,000), mower and trailer (\$22,000), and picnic shelter (\$103,000) for Parks & Recreation
- Funding of \$95,000 from the Capital Reserve Funds to pave the parking lot at the Archer Lodge Town Park.
- Funding to contract with the Johnston County Sheriff Office for direct law enforcement coverage dedicated to the Town of Archer Lodge under a 7-day 12-hour per day assignment in the amount of \$200,000
- Continuation of funding for parks construction.

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, 2022

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2 556 282	\$ 2 556 282
Taxes receivables (net)	1 383	1 383
Accrued interest receivable	175	175
Due from other governments	106 295	106 295
Restricted cash & cash equivalents	1 552 693	1 552 693
Total current assets	<u>4 216 828</u>	<u>4 216 828</u>
Non-current assets:		
Capital assets:		
Land, non-depreciable improvements, and construction in progress	1 539 157	1 539 157
Other capital assets, net of depreciation	670 841	670 841
Total capital assets	<u>2 209 998</u>	<u>2 209 998</u>
Total assets	<u>6 426 826</u>	<u>6 426 826</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	57 370	57 370
Total deferred outflows of resources	<u>57 370</u>	<u>57 370</u>
LIABILITIES		
Current liabilities:		
Accounts payable	209 151	209 151
Payables from restricted assets	247 848	247 848
Accrued interest payable	2 524	2 524
Current portion of long-term liabilities	110 333	110 333
Total current liabilities	<u>569 856</u>	<u>569 856</u>
Long-term liabilities:		
Net pension liability	24 231	24 231
Compensated absences	14 479	14 479
Due in more than one year	630 333	630 333
Total liabilities	<u>1 238 899</u>	<u>1 238 899</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	663	663
Pension deferrals	34 619	34 619
Total deferred inflows of resources	<u>35 282</u>	<u>35 282</u>
NET POSITION		
Net investment in capital assets	1 469 332	1 469 332
Restricted for:		
Stabilization by State Statute	106 373	106 373
Capital projects	1 304 845	1 304 845
Unrestricted	2 329 465	2 329 465
Total net position	<u>\$ 5 210 015</u>	<u>\$ 5 210 015</u>

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

**Town of Archer Lodge, North Carolina
Statement of Activities
For the Year Ended June 30, 2022**

<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	\$ 459 811	\$ -	\$ 51 616	\$ 1 375 213	\$ 967 018	\$ 967 018
Public safety	359 829	100	-	-	(359 729)	(359 729)
Transportation	31 950	-	-	-	(31 950)	(31 950)
Economic & physical development	103 378	8 735	-	-	(94 643)	(94 643)
Cultural and recreation	47 908	-	-	17 763	(30 145)	(30 145)
Interest on long-term debt	30 649	-	-	-	(30 649)	(30 649)
Total governmental activities	<u>1 033 525</u>	<u>8 835</u>	<u>51 616</u>	<u>1 392 976</u>	<u>419 902</u>	<u>419 902</u>
Total primary government	<u>\$ 1 033 525</u>	<u>\$ 8 835</u>	<u>\$ 51 616</u>	<u>\$ 1 392 976</u>	<u>419 902</u>	<u>419 902</u>
General revenues						
Taxes:						
Property taxes levied for general purpose					897 171	897 171
Other taxes					501 954	501 954
Unrestricted investment earnings					11 025	11 025
Miscellaneous					15	15
Total general revenues					<u>1 410 165</u>	<u>1 410 165</u>
Change in net position					1 830 067	1 830 067
Net position, beginning					3 379 948	3 379 948
Net position, ending					<u>\$ 5 210 015</u>	<u>\$ 5 210 015</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, 2022

	Major Funds						Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Parks Capital Project Fund	American Rescue Plan Fund	State Capital & Infrast. Fund			
ASSETS								
Cash and cash equivalents	\$ 1 675 083	\$ 433 062	\$ -	\$ -	-	-	\$ 448 137	\$ 2 556 282
Restricted cash	-	-	204 846	497 531	850 316	-	-	1 552 693
Receivables, net:								
Taxes	1 403	-	-	-	-	-	-	1 403
Due from other governments	106 295	-	-	-	-	-	-	106 295
Total assets	<u>1 782 781</u>	<u>433 062</u>	<u>204 846</u>	<u>497 531</u>	<u>850 316</u>	<u>448 137</u>	<u>4 216 673</u>	
LIABILITIES								
Accounts payable and accrued liabilities	209 151	-	194 589	53 259	-	-	-	456 999
Total liabilities	<u>209 151</u>	<u>-</u>	<u>194 589</u>	<u>53 259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456 999</u>
DEFERRED INFLOWS OF RESOURCES								
Property taxes receivable	1 403	-	-	-	-	-	-	1 403
Prepaid taxes	663	-	-	-	-	-	-	663
Total deferred inflows of resources	<u>2 066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 066</u>
FUND BALANCES								
Restricted								
Stabilization by State Statute	106 373	-	-	-	-	-	-	106 373
Capital projects	-	-	10 257	444 272	850 316	-	-	1 304 845
Assigned								
Future capital projects	-	433 062	-	-	-	40 567	-	473 629
Public safety	-	-	-	-	-	407 570	-	407 570
Unassigned	1 465 191	-	-	-	-	-	-	1 465 191
Total fund balances	<u>1 571 564</u>	<u>433 062</u>	<u>10 257</u>	<u>444 272</u>	<u>850 316</u>	<u>448 137</u>	<u>448 137</u>	<u>3 757 608</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1 782 781</u>	<u>\$ 433 062</u>	<u>\$ 204 846</u>	<u>\$ 497 531</u>	<u>\$ 850 316</u>	<u>\$ 448 137</u>	<u>\$ 448 137</u>	<u>\$ 4 216 673</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, 2022**

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

Total Fund Balance, Governmental Funds	\$	3 757 608
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Gross capital assets at historical cost	2 499 141	
Accumulated depreciation	<u>(289 142)</u>	2 209 999

Deferred outflows of resources related to pensions are not reported in the funds		57 350
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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.		175
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Earned revenues considered deferred inflows of resources in fund statements.		1 403
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Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds

Gross long-term debt beginning	(851 000)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	<u>110 333</u>	(740 667)
Net pension liability		(24 231)

Deferred inflows of resources related to pensions are not reported in the funds		(34 619)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		(2 524)
Compensated absences	<u>(14 479)</u>	

Net position of governmental activities	\$	<u><u>5 210 015</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Archer Lodge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds					Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Reserve	Parks Capital Projects	American Rescue Plan	State Capital & Infrastructure		
REVENUES							
Ad valorem taxes	\$ 898 159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 898 159
Unrestricted intergovernmental	501 954	-	-	-	-	-	501 954
Restricted intergovernmental	1 426 830	-	17 762	-	-	-	1 444 592
Permits and fees	8 835	-	-	-	-	-	8 835
Investment earnings	5 313	2 033	-	669	316	2 695	11 026
Miscellaneous	15	-	-	-	-	-	15
Total revenues	2 841 106	2 033	17 762	669	316	2 695	2 864 581
EXPENDITURES							
Current:							
General government	424 313	-	-	-	-	-	424 313
Public Safety	359 829	-	-	-	-	-	359 829
Transportation	31 950	-	-	-	-	-	31 950
Economic and physical development	107 490	-	-	-	-	-	107 490
Culture and recreation	47 908	-	-	-	-	-	47 908
Debt service:							
Principal	110 333	-	-	-	-	-	110 333
Interest and other charges	30 649	-	-	-	-	-	30 649
Capital outlay	172 577	-	396 491	81 610	-	-	650 678
Total expenditures	1 285 049	-	396 491	81 610	-	-	1 763 150
Excess (deficiency) of revenues over expenditures	1 556 057	2 033	(378 729)	(80 941)	316	2 695	1 101 431

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, 2022

	Major Funds					Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Reserve	Parks Capital Projects	American Rescue Plan	State Capital & Infrastructure		
OTHER FINANCING SOURCES (USES)							
Transfer from other funds	216 250	25 000	344 911	525 213	850 000	144 163	2 105 537
Transfer to other funds	(1 544 376)	(154 250)	-	-	-	(406 911)	(2 105 537)
Total other financing sources(uses)	(1 328 126)	(129 250)	344 911	525 213	850 000	(262 748)	-
Net change in fund balance	227 931	(127 217)	(33 818)	444 272	850 316	(260 053)	1 101 431
Fund balances, beginning	1 343 634	560 278	44 075	-	-	708 190	2 656 177
Fund balances, ending	\$ 1 571 565	\$ 433 061	\$ 10 257	\$ 444 272	\$ 850 316	448 137	\$ 3 757 608

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, 2022

Net changes in fund balances – total governmental funds \$ 1 101 431

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	\$ 650 678	
Depreciation expense for governmental assets	<u>(35 908)</u>	614 770

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	21 618
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in unavailable revenue for tax revenues	(988)

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

Principal payments on long-term debt	110 333
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(1 882)	
Pension expense	<u>(15 215)</u>	<u>(17 097)</u>

Total changes in net position of governmental activities		\$ <u><u>1 830 067</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Archer Lodge, North Carolina
General Fund and Annually Budgeted Major Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2022

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 862 000	\$ 893 680	\$ 898 159	\$ 4 479
Unrestricted intergovernmental	454 300	482 750	501 954	19 204
Restricted intergovernmental	52 250	1 427 462	1 426 830	(632)
Permits and fees	21 100	11 100	8 835	(2 265)
Investment earnings	4 000	4 500	5 313	813
Miscellaneous	-	100	15	(85)
Total revenues	<u>1 393 650</u>	<u>2 819 592</u>	<u>2 841 106</u>	<u>21 514</u>
Expenditures:				
Current:				
General government	652 565	525 400	443 369	82 031
Public safety	380 250	375 500	359 829	15 671
Transportation	47 600	52 600	31 950	20 650
Economic & physical development	181 445	182 295	107 490	74 805
Cultural and recreation	71 700	210 850	201 429	9 421
Debt service:				
Principal retirement	110 336	110 336	110 333	3
Interest and other charges	30 649	30 649	30 649	-
Total expenditures	<u>1 474 545</u>	<u>1 487 630</u>	<u>1 285 049</u>	<u>202 581</u>
Revenues over (under) expenditures	<u>(80 895)</u>	<u>1 331 962</u>	<u>1 556 057</u>	<u>224 095</u>
Other financing sources (uses):				
Transfers from other funds	183 750	216 250	216 250	-
Transfers to other funds	(185 000)	(1 548 212)	(1 544 376)	3 836
Total other financing sources (uses)	<u>(1 250)</u>	<u>(1 331 962)</u>	<u>(1 328 126)</u>	<u>3 836</u>
Fund balance appropriated	82 145	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	227 931	\$ <u>227 931</u>
Fund balances, beginning			<u>1 343 634</u>	
Fund balances, ending			\$ <u>1 571 565</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, 2022

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.

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

American Rescue Plan Fund. This fund accounts for the transactions related to the American Rescue Plan Act funds.

State Capital & Infrastructure Fund. This fund accounts for the transactions related to state grant funds for parks.

The Town reports the following non-major governmental funds:

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.

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. The Town Council must approve all budget amendments. 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, American Rescue Plan fund, and State Capital Infrastructure fund are classified as restricted assets for the park's expansion project.

Town of Archer Lodge Restricted Cash

Governmental Activities:

State Capital & Infrastructure- Parks	\$	850 316
American Rescue Plan		497 531
Parks Capital Projects Fund		<u>204 846</u>
Total Restricted Cash	\$	<u>1 552 693</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, 2021.

5. Allowances for Doubtful Accounts

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

6. Lease Receivable

The town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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.

8. 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

9. Right to use assets

Should the Town have leases, it would record right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

10. 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 2022 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.

11. 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.

12. 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.

13. 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.

14. 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, 2022, the Town's deposits had a carrying amount of \$4,108,975 and a bank balance of \$4,130,644. 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, 2022, the Town of Archer Lodge had \$2,505,784 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

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.

4. Lease Receivable

The Town has entered into no material leases under GASB 87.

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022, 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	103 413	631 622	-	735 035
Total capital assets not being depreciated	<u>907 536</u>	<u>631 622</u>	<u>-</u>	<u>1 539 158</u>
Capital assets being depreciated:				
Buildings and improvements	818 096	-	-	818 096
Equipment	89 902	-	-	89 902
Vehicles	-	19 056	-	19 056
Infrastructure	32 929	-	-	32 929
Total capital assets being depreciated	<u>940 927</u>	<u>19 056</u>	<u>-</u>	<u>959 983</u>
Less accumulated depreciation for:				
Buildings and improvements	155 781	27 576	-	183 357
Equipment	87 575	2 326	-	89 901
Vehicles	-	3 811	-	3 811
Infrastructure	9 878	2 195	-	12 073
Total accumulated depreciation	<u>253 234</u>	<u>\$ 35 908</u>	<u>\$ -</u>	<u>289 142</u>
Total capital assets being depreciated, net	<u>687 693</u>			<u>670 841</u>
Governmental activity capital assets, net	<u>\$ 1 595 229</u>			<u>\$ 2 209 999</u>

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

General government	\$ 35 908
Total depreciation expense	<u>\$ 35 908</u>

Construction commitments

The government has active construction projects as of June 30, 2022. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Parks Construction	\$ 631 622	\$ 355 537

6. Right to Use Leased Assets

The Town has no recorded right to use leased assets.

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, 2022, was 12.06% 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 \$21,618 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$24,231 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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 0.00158%, which was an increase of 0.00040% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$15,215. At June 30, 2022, 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	\$ 7 709	\$ -
Changes in assumptions	15 223	-
Net difference between projected and actual earnings on pension plan investments	-	34 619
Changes in proportion and differences between Town contributions and proportionate share of contributions	12 820	-
Town contributions subsequent to the measurement date	21 618	-
Total	<u>\$ 57 370</u>	<u>\$ 34 619</u>

The \$21,618 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 7 089
2023	3 524
2024	1 114
2025	(10 593)
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2020, 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, 2020, 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 weighing 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, 2021, 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 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 94 062	\$ 24 231	\$ (33 236)

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

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

	<u>LGERS</u>	<u>Total</u>
Pension Expense	\$ 15 215	\$ 15 215
Pension Liability	24 231	24 231
Proportionate share of the net pension liability	0.00158%	0.00158%
Deferred Outflows of Resources:		
Differences between expected and actual experience	7 709	7 709
Changes of assumptions	15 223	15 223
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12 820	12 820
Benefit payments and administrative costs paid subsequent to the measurement date	21 618	21 618
Deferred Inflows of Resources:		
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	34 619	34 619
Changes in proportion and differences between contributions and proportionate share of contributions	-	-

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 the 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, 2022, were \$17,487 which consisted of \$8,087 from the Town and \$9,400 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	\$ 21 618
Differences between expected and actual experience	7 709
Changes in assumptions	15 223
Changes in proportion and differences between employer contributions and proportionate share of contributions	12 820
Total	<u>\$ 57 370</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	-	1 403
Net difference between projected and actual earnings on plan investments	34 619	-
Total	<u>\$ 35 282</u>	<u>\$ 2 066</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, 2022, 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, 2022, including \$17,050 of interest, are as follows:

Year Ending			
June 30	Principal		Interest
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	\$ 166 667	\$	17 050

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, 2022, including \$30,000 of interest, are as follows:

Year Ending			
June 30	Principal		Interest
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	\$ 250 000	\$	30 000

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, 2022, including \$71,017 of interest are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 27 000	\$ 10 919
2024	27 000	10 009
2025	27 000	9 124
2026	27 000	8 189
2027	27 000	7 279
2028-2032	135 000	22 762
2033-2034	54 000	2 735
Total	\$ 324 000	\$ 71 017

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 851 000	\$ -	\$ 110 334	\$ 740 666	\$ 110 333
Net pension liability (LGERS)	42 166	-	17 935	24 231	-
Compensated absences	12 597	1 882	-	14 479	-
Governmental activities long – term liabilities	<u>\$ 905 763</u>	<u>\$ 1 882</u>	<u>\$ 128 269</u>	<u>\$ 779 376</u>	<u>\$ 110 333</u>

C. Interfund Balances and Activity

There were no balances due to/from other funds at June 30, 2022.

Transfers to/from other funds at June 30, 2022, consists of the following:

From the General Fund to the Capital Reserve Fund	\$ 25 000
From the General Fund to Park Reserve Fund	119 163
From the General Fund to the Public Safety Reserve Fund	25 000
From the General Fund to American Rescue Plan Fund	525 213
From the General Fund to State Capital & Infrastructure Fund	850 000
From the Capital Reserve Fund to General Fund	154 250
From the Park Reserve Fund to the General Fund	62 000
From the Park Reserve Fund to the Capital Project Town Park Fund	344 911
Total transfers	\$ <u>2 105 537</u>

Transfers are used to move 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 are accounted for in the General Fund and transferred each year to the Park Reserve 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. When the Town receives grant funds, they are usually deposited into the General Fund and then transferred to an identified capital or special revenue 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	\$ 1 571 564
Less:	
Stabilization by State Statute	106 373
Remaining Fund Balance	1 465 191

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2022.

V. Summary Disclosure of Significant Contingencies

The Town received proceeds from federal and 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 Nine Fiscal Years*

Local Government Employees' Retirement System

<u>Year Ended June 30</u>	<u>Town's Proportion of the net pension liability (asset) (%)</u>	<u>Town's proportion of the net pension liability (asset)</u>	<u>Town's covered employee payroll</u>	<u>Town's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
2022	0.00158%	\$ 24 231	\$ 161 828	14.97%	95.51%
2021	0.00118%	42 166	117 292	35.95%	88.61%
2020	0.00129%	35 229	108 711	32.41%	90.86%
2019	0.00139%	32 976	100 663	32.76%	91.63%
2018	0.00121%	18 485	67 849	27.24%	94.18%
2017	0.00139%	29 500	58 551	50.38%	91.47%
2016	0.00059%	2 648	46 313	5.72%	98.09%
2015	0.00017%	(1 003)	35 490	(2.83%)	102.64%
2014	0.00000%	-	-	0.00%	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 Nine Fiscal Years**

Local Government Employees' Retirement System

Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 21 681	\$ 21 681	\$ -	\$ 179 252	12.09%
2021	17 558	17 558	-	161 828	10.85%
2020	11 307	11 307	-	117 292	9.64%
2019	9 284	9 284	-	108 711	8.54%
2018	8 284	8 284	-	100 663	8.23%
2017	5 323	5 323	-	67 849	7.85%
2016	4 216	4 216	-	58 551	7.20%
2015	3 520	3 520	-	46 313	7.60%
2014	2 697	2 697	-	35 490	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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 895 416	\$
Interest		2 743	
Total	<u>893 680</u>	<u>898 159</u>	<u>4 479</u>
Unrestricted intergovernmental:			
Local option sales taxes		312 130	
Franchise taxes		147 855	
Beer and wine tax		19 193	
ABC profit distribution		22 776	
Total	<u>482 750</u>	<u>501 954</u>	<u>19 204</u>
Restricted intergovernmental:			
PEG channel support		51 617	
American Rescue Plan Act Grant proceeds		525 213	
Park Land Grant Proceeds		850 000	
Total	<u>1 427 462</u>	<u>1 426 830</u>	<u>(632)</u>
Permits and fees:			
Planning and zoning revenue		8 735	
Animal control fees		100	
Fees in lieu of recreation		-	
Total	<u>11 100</u>	<u>8 835</u>	<u>(2 265)</u>
Investment earnings	<u>4 500</u>	<u>5 313</u>	<u>813</u>
Miscellaneous:			
Miscellaneous		15	
Total	<u>100</u>	<u>15</u>	<u>(85)</u>
Total Revenues	<u>2 819 592</u>	<u>2 841 106</u>	<u>21 514</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Town Council			
Salaries and employee benefits		11 304	
Other operating expenditures		34 824	
Total	<u>54 465</u>	<u>46 128</u>	<u>8 337</u>
Administration:			
Salaries and employee benefits		194 578	
Professional services		10 500	
Contracted services		4 993	
PEG Media Group		51 616	
Other operating expenditures		37 289	
Capital outlay		19 056	
Total	<u>379 135</u>	<u>318 032</u>	<u>61 103</u>
Tax Collections:			
Collection fees		23 388	
Total	<u>26 000</u>	<u>23 388</u>	<u>2 612</u>
Legal:			
Contracted services		16 618	
Total	<u>15 000</u>	<u>16 618</u>	<u>(1 618)</u>
Tax			
Taxes		25	
Total	<u>100</u>	<u>25</u>	<u>75</u>
Public Buildings			
Utility service fees		7 124	
Repairs and maintenance		347	
Contracted services		20 919	
Other operating expenses		10 788	
Total	<u>50 700</u>	<u>39 178</u>	<u>11 522</u>
Total general government	<u>525 400</u>	<u>443 369</u>	<u>82 031</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police and Animal Control:			
Contracted services		2 189	
Other operating services		418	
Total	<u>5 500</u>	<u>2 607</u>	<u>2 893</u>
Fire:			
Fire protection services		357 222	
Total	<u>370 000</u>	<u>357 222</u>	<u>12 778</u>
Total public safety	<u>375 500</u>	<u>359 829</u>	<u>15 671</u>
Transportation:			
Streets and highways:			
Street lighting		5 545	
Other operating expenditures		26 405	
Total transportation	<u>52 600</u>	<u>31 950</u>	<u>20 650</u>
Economic and physical development:			
Planning and zoning:			
Salaries and employee benefits		90 987	
Other operating expenditures		4 932	
Contracted services		11 571	
Total economic and physical development	<u>182 295</u>	<u>107 490</u>	<u>74 805</u>
Culture and recreation			
Parks and recreation			
Professional fees		6 320	
Other operating expenditures		11 588	
Contracted services		30 000	
Capital outlay		153 521	
Total culture and recreation	<u>210 850</u>	<u>201 429</u>	<u>9 421</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, 2022

	Budget	Actual	Variance Positive (Negative)
Debt Service			
Principal retirement	110 336	110 333	3
Interest and other charges	30 649	30 649	-
Total debt service	140 985	140 982	3
Total expenditures	1 487 630	1 285 049	202 581
Revenues over (under) expenditures	1 331 962	1 556 057	224 095
Other financing sources (uses):			
Transfers from other funds:			
Park Reserve Fund	62 000	62 000	-
Capital Reserve Fund	154 250	154 250	-
Transfers to other funds:			
Capital Reserve Fund	(25 000)	(25 000)	-
Parks Reserve Fund	(123 000)	(119 163)	3 837
Public Safety Reserve Fund	(25 000)	(25 000)	-
ARPA Fund	(525 212)	(525 213)	(1)
SCIF Fund	(850 000)	(850 000)	-
Total	(1 331 962)	(1 328 126)	3 836
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	227 931	\$ 227 931
Fund balances, beginning		1 343 634	
Fund balances, ending		\$ 1 571 565	

Town of Archer Lodge, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
For the Year Ended June 30, 2022

	Park Reserve Fund	Public Safety Reserve Fund	Total Non-Major Governmental Funds
Assets			
Cash and cash equivalents	\$ 40 567	407 570	448 137
Total assets	40 567	407 570	448 137
Liabilities and Fund Balances			
Fund balances:			
Assigned	40 567	407 570	448 137
Total liabilities and fund balances	\$ 40 567	\$ 407 570	\$ 448 137

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, 2022

	Park Reserve Fund	Public Safety Reserve Fund	Total Non-Major Governmental Funds
Revenue			
Investment earnings	\$ 1 236	\$ 1 459	\$ 2 695
Total revenue	1 236	1 459	2 695
Expenditures			
Construction	-	-	-
Total expenditures	-	-	-
Revenues over expenditures	1 236	1 459	2 695
Other financing sources (uses)			
Transfers from other funds	119 163	25 000	144 163
Transfers (to) other funds	(406 911)	-	(406 911)
Total other financing sources	(287 748)	25 000	(262 748)
Fund balance beginning	327 079	381 111	708 190
Fund balance ending	\$ 40 567	\$ 407 570	\$ 448 137

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, 2022

	Budget	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental:					
State Grant	\$ 500 000	\$ 44 075	\$ 17 762	\$ 61 837	\$ (438 163)
Total revenues	<u>500 000</u>	<u>44 075</u>	<u>17 762</u>	<u>61 837</u>	<u>(438 163)</u>
Expenditures					
Capital outlay:					
Design/engineering	146 342	103 413	23 348	126 761	19 581
Construction	813 008	-	373 143	373 143	439 865
Contingency	40 650	-	-	-	40 650
Total Expenditures	<u>1 000 000</u>	<u>103 413</u>	<u>396 491</u>	<u>499 904</u>	<u>500 096</u>
Revenues under expenditures	(500 000)	(59 338)	(378 729)	(438 067)	61 933
Other Financing Sources/Uses					
Interfund transfers					
Transfers from other funds					
From Park Reserve Fund	<u>500 000</u>	<u>103 413</u>	<u>344 911</u>	<u>448 324</u>	<u>(51 676)</u>
Total other financing sources	<u>500 000</u>	<u>103 413</u>	<u>344 911</u>	<u>448 324</u>	<u>(51 676)</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>44 075</u>	(33 818)	\$ <u>10 257</u>	\$ <u>10 257</u>
Fund Balance Beginning			<u>44 075</u>		
Fund Balance Ending			\$ <u>10 257</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ 1 800	\$ 2 033	\$ 233
Total revenues	<u>1 800</u>	<u>2 033</u>	<u>233</u>
Expenditures:			
Current:	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>1 800</u>	<u>2 033</u>	<u>233</u>
Other financing sources:			
Interfund transfers			
Transfer from general fund	25 000	25 000	-
Transfer to general fund	<u>(154 250)</u>	<u>(154 250)</u>	<u>-</u>
Total other financing sources	<u>(129 250)</u>	<u>(129 250)</u>	
Appropriated fund balance	127 450	-	(127 450)
Net change in fund balance	\$ <u><u> </u></u>	(127 217)	\$ <u><u>(127 217)</u></u>
Fund balance, beginning		<u>560 278</u>	
Fund balance, ending		\$ <u><u>433 061</u></u>	

**Town of Archer Lodge, North Carolina
American Rescue Plan Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 650	\$ 669	\$ 19
Total revenues	650	669	19
Expenditures:			
Parks construction	1 051 077	81 610	969 467
Total expenditures	1 051 077	81 610	969 467
Revenues under expenditures	(1 050 427)	(80 941)	969 486
Other financing sources:			
Interfund transfers			
Transfer from General Fund	1 050 427	525 213	(525 214)
Total other financing sources	1 050 427	525 213	(525 214)
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	444 272	\$ 444 272
Fund balance, beginning		-	
Fund balance, ending		\$ 444 272	

**Town of Archer Lodge, North Carolina
State Capital & Infrastructure Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 250	\$ 316	\$ 66
Total revenues	250	316	66
Expenditures:			
Parks construction	850 250	-	850 250
Total expenditures	850 250	-	850 250
Revenues over(under) expenditures	(850 000)	316	850 316
Other financing sources:			
Interfund transfers			
Transfer from general fund	850 000	850 000	-
Total other financing sources	850 000	850 000	-
Net change in fund balance	\$ -	850 316	\$ 850 316
Fund balance, beginning		-	
Fund balance, ending		\$ 850 316	

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, 2022**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 896 013	\$ 895 416	\$ 597
2020-2021	1 289	-	1 001	288
2019-2020	830	-	536	294
2018-2019	9	-	2	7
2017-2018	8	-	-	8
2016-2017	10	-	-	10
2015-2016	8	-	-	8
2014-2015	-	-	-	-
2013-2014	16	-	-	16
2012-2013	1	-	1	-
	<u>\$ 2 171</u>	<u>\$ 896 013</u>	<u>\$ 896 956</u>	<u>\$ 1 228</u>
		Ad valorem taxes receivable - net		<u>\$ 1 228</u>

Reconcilement with revenues:

Ad valorem taxes – General Fund	\$ 898 159
Reconciling items:	
Interest collected	(2 744)
Taxes written off	<u>1 541</u>
Subtotal	<u>(1 203)</u>
Total collections and credits	<u>\$ 896 956</u>

Town of Archer Lodge, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2022

	<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	\$ 404 136 818	0.22	\$ 889 101	770 970	\$ 118 131
Penalties	-		-	-	-
Total	<u>404 136 818</u>		<u>889 101</u>	<u>770 970</u>	<u>118 131</u>
Discoveries:					
Current year taxes	<u>3 368 182</u>	0.22	<u>7 410</u>	<u>7 410</u>	<u>-</u>
Releases	<u>(226 364)</u>	0.22	<u>(498)</u>	<u>(498)</u>	<u>-</u>
Total property valuation	<u>\$ 407 278 636</u>				
Net levy			896 013	777 882	118 131
Uncollected taxes at June 30, 2022			<u>(597)</u>	<u>(597)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 895 416</u>	<u>\$ 777 285</u>	<u>\$ 118 131</u>
Current levy collection percentage			<u>99.93%</u>	<u>99.92%</u>	<u>100.00%</u>

COMPLIANCE SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, 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 November 30, 2022.

Report on 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.

Report on 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
November 30 , 2022