

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

ANNUAL FINANCIAL REPORT

*As of and for the Year Ended June 30, 2022*

*And Report of Independent Auditor*



**Mayor**

George Holleman

**Mayor Pro Tem**

Eric Bumgarner

**Town Council**

Kim Brown  
Tamara Odom  
Jack Simms

**Town Manager**

Aaron Wike

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# TOWN OF TAYLORSVILLE, NORTH CAROLINA

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**TOWN OF TAYLORSVILLE**

**FINANCIAL SECTION**

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# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Taylorsville, 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'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, the business-type activities, and each major fund of the Town of Taylorsville, North Carolina, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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 (*Government Auditing Standards*). 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 Taylorsville, 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the Town of Taylorville's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 *Government Auditing Standards*, will always detect a material misstatement 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 *Government Auditing Standards*, we:

- exercise professional judgement and maintain 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 Taylorsville'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 Taylorsville'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 Management's Discussion and Analysis, the Retiree Insurance Allowance Plan Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information is responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Taylorsville's basic financial statements. The 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2024 on our consideration of the Town of Taylorsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Taylorsville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Town of Taylorsville's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
May 1, 2024

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# TOWN OF TAYLORSVILLE, NORTH CAROLINA MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2022

As management of the Town of Taylorsville (the “Town”), we offer readers of the Town financial statements this narrative overview and analysis of the financial activities of the Town of Taylorsville 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

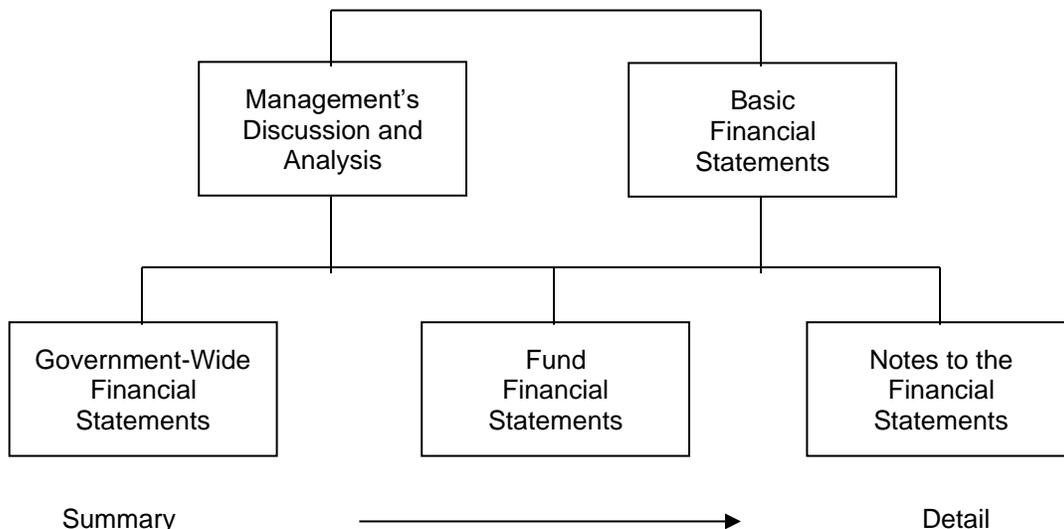
- The assets and deferred outflows of resources of the Town of Taylorsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,143,995. This represents the Town’s total net position and is comprised of governmental activities and business-type activities in the amounts of \$1,872,956 and \$11,271,039, respectively.
- The Town’s governmental activities increased by \$397,465, and business-type activities decreased by \$231,547 for an overall increase in total net position of \$165,918.
- As of the close of the current fiscal year, the Town’s General Fund reported an ending fund balance of \$2,130,917 which is an increase of \$381,057 from last year. Non-spendable and restricted portion of fund balance was \$63 and \$254,938, respectively.
- The unassigned portion of fund balance in the General Fund was \$1,875,916 which represents 80 percent of total General Fund expenditures.
- As of the close of the current fiscal year, the outstanding balance of the Town’s capital related debt decreased by \$117,814 which was due to principal payments on outstanding debt in the Town’s Water and Sewer Fund.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town’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.

### Required Components of Annual Financial Report

Figure 1



# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through I) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes 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 divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town's basic services, such as public safety, economic and physical development, streets and public works, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

The government-wide financial statements are on Exhibits A and B of this report.

### Fund Financial Statements

The fund financial statements 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 Taylorsville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Taylorsville can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources 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 governmental 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.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit I 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 pension benefits available to its employees.

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

**Government-Wide Financial Analysis**

**Town of Taylorsville's Net Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current and other assets	\$ 2,533,866	\$ 1,824,345	\$ 3,050,465	\$ 2,542,744	\$ 5,584,331	\$ 4,367,089
Capital assets, net	1,681,734	1,540,556	13,166,507	13,773,322	14,848,241	15,313,878
<b>Total Assets</b>	<b>4,215,600</b>	<b>3,364,901</b>	<b>16,216,972</b>	<b>16,316,066</b>	<b>20,432,572</b>	<b>19,680,967</b>
<b>Total Deferred Outflows</b>	<b>605,787</b>	<b>697,487</b>	<b>254,769</b>	<b>285,403</b>	<b>860,556</b>	<b>982,890</b>
<b>Liabilities:</b>						
Current liabilities	395,074	86,221	743,893	461,707	1,138,967	547,928
Other liabilities	2,164,756	2,385,876	4,289,527	5,055,600	6,454,283	7,441,476
<b>Total Liabilities</b>	<b>2,559,830</b>	<b>2,472,097</b>	<b>5,033,420</b>	<b>5,517,307</b>	<b>7,593,250</b>	<b>7,989,404</b>
<b>Total Deferred Inflows</b>	<b>388,601</b>	<b>114,800</b>	<b>167,282</b>	<b>43,283</b>	<b>555,883</b>	<b>158,083</b>
<b>Net Position:</b>						
Net investments in capital assets	1,645,151	1,540,556	9,373,223	9,825,641	11,018,374	11,366,197
Restricted	254,938	210,587	-	-	254,938	210,587
Unrestricted	(27,133)	(275,652)	1,897,816	1,676,945	1,870,683	1,401,293
<b>Total Net Position</b>	<b>\$ 1,872,956</b>	<b>\$ 1,475,491</b>	<b>\$ 11,271,039</b>	<b>\$ 11,502,586</b>	<b>\$ 13,143,995</b>	<b>\$ 12,978,077</b>

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 exceeded liabilities and deferred inflows by \$13,143,995 as of June 30, 2022. The Town's total net position increased by \$165,918 for the fiscal year ended June 30, 2022. The largest portion of net position (84%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment.) The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding capital related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The total amount restricted for the year ended June 30, 2022 was \$254,938 (2% of total net position). The remaining balance of \$1,870,683 (14% of total net position) is unrestricted. Several particular aspects of the Town's financial operations positively/negatively influenced the total net position:

Positive influences:

- Increased revenue from sales tax and other unrestricted intergovernmental revenues.
- Decrease in long-term liabilities related to pensions, compensated absences and notes payable.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

**Town of Taylorsville's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 363,156	\$ 323,840	\$ 2,347,301	\$ 2,246,602	\$ 2,710,457	\$ 2,570,442
Operating grants and contributions	208,726	239,582	98,475	15,000	307,201	254,582
Capital grants and contributions	-	-	59,175	78,320	59,175	78,320
General Revenues:						
Property taxes	785,206	774,009	-	-	785,206	774,009
Grants and contributions not restricted	1,262,057	1,086,024	-	-	1,262,057	1,086,024
Miscellaneous	61,390	62,430	1,033	-	62,423	62,430
Investment earnings, unrestricted	13,784	18,511	13	230	13,797	18,741
<b>Total Revenues</b>	<b>2,694,319</b>	<b>2,504,396</b>	<b>2,505,997</b>	<b>2,340,152</b>	<b>5,200,316</b>	<b>4,844,548</b>
<b>Expenses:</b>						
General government	439,788	365,294	-	-	439,788	365,294
Public safety	1,394,089	1,344,029	-	-	1,394,089	1,344,029
Streets and public works	407,113	435,706	-	-	407,113	435,706
Other operations	5,991	6,231	-	-	5,991	6,231
Cultural and recreational	35,719	40,306	-	-	35,719	40,306
Interest on long-term debt	129	-	-	-	129	-
Water and sewer	-	-	2,751,569	2,830,854	2,751,569	2,830,854
<b>Total Expenses</b>	<b>2,282,829</b>	<b>2,191,566</b>	<b>2,751,569</b>	<b>2,830,854</b>	<b>5,034,398</b>	<b>5,022,420</b>
Change in Net Position before transfers	411,490	312,830	(245,572)	(490,702)	165,918	(177,872)
Transfers	(14,025)	-	14,025	-	-	-
Change in Net Position after transfers	397,465	312,830	(231,547)	(490,702)	165,918	(177,872)
Net position, July 1	1,475,491	1,162,661	11,502,586	11,993,288	12,978,077	13,155,949
Net position, June 30	\$ 1,872,956	\$ 1,475,491	\$ 11,271,039	\$ 11,502,586	\$ 13,143,995	\$ 12,978,077

**Governmental Activities.** Governmental activities increased the Town's net position by \$397,465. Key elements of this increase are as follows:

- A focused approach to providing essential services with fewer personnel.
- Total revenue higher than projected in the fiscal year 2022 budget with sales tax being the main contributor. Fiscal year 2022 sales tax revenue earned were \$345,507 over the projected budget.

**Business-Type Activities.** Business-type activities decreased the Town's net position by \$231,547. Key elements of this decrease are as follows:

- A decrease in water and sewer expenses.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town'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 Taylorsville's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available for appropriation was \$1,914,409, while total fund balance was \$2,130,917. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 80% of total General Fund expenditures, while total fund balance represents 91% of total General Fund expenditures.

**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 amendments to the General Fund increased revenues and other financing sources by \$225,079, which is 10% more than originally budgeted. Amendments were necessary due to conservatism used in compiling the original budget.

**Proprietary Funds.** The Town of Taylorsville's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year totaled \$1,897,816. The total net position for the Water and Sewer Fund was \$11,271,039. Factors concerning the finances of the Enterprise Fund have already been addressed in the discussion of the Town's business-type activities.

### Capital and Intangible Assets and Debt Administration

**Capital Assets.** The Town's capital assets for its governmental and business-type activities as of June 30, 2022 total \$14,848,241 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

Major capital asset transactions during the year include:

- One police vehicle and various equipment for the police department. The police vehicle was funded 50% by State reimbursed drug money and 50% by Town current year resources.
- One leaf vacuum truck and trailer for the streets department.
- Addition of construction in progress relating to the Town's sewer system consisting of various improvements and upgrades at the wastewater treatment plant and final expenses for the Renewable Energy site at the wastewater treatment plant.
- New pumps for the lower water tank.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

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

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 539,015	\$ 539,015	\$ 271,075	\$ 271,075	\$ 810,090	\$ 810,090
Buildings	1,100,843	1,100,843	152,945	152,945	1,253,788	1,253,788
Infrastructure	460,054	460,054	-	-	460,054	460,054
System	-	-	21,137,082	17,782,323	21,137,082	17,782,323
Vehicles and equipment	1,196,357	1,075,149	649,534	619,388	1,845,891	1,694,537
Water capacity	-	-	750,000	750,000	750,000	750,000
Construction in progress	-	-	695,909	3,946,346	695,909	3,946,346
Right to use leased assets	52,773	-	16,253	-	69,026	-
	<u>3,349,042</u>	<u>3,175,061</u>	<u>23,672,798</u>	<u>23,522,077</u>	<u>27,021,840</u>	<u>26,697,138</u>
Accumulated depreciation and amortization	1,667,308	1,634,505	10,506,291	9,748,755	12,173,599	11,383,260
Total	<u>\$ 1,681,734</u>	<u>\$ 1,540,556</u>	<u>\$ 13,166,507</u>	<u>\$ 13,773,322</u>	<u>\$ 14,848,241</u>	<u>\$ 15,313,878</u>

Additional information on the Town's capital assets can be found in the notes to these financial statements at Note 3.A(5).

**Long-Term Debt.** As of June 30, 2022, the Town of Taylorsville had total notes payable outstanding of \$3,782,017, all of which is secured by assets of the Town. The Town also reported lease liabilities of \$47,850 as a result of the implementation of GASB 87.

**Town of Taylorsville's Outstanding Debt**

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Net pension liability (LGERS)	\$ 120,817	\$ 342,138	\$ 65,055	\$ 184,228	\$ 185,872	\$ 526,366
Total pension liability (LEOSSA)	503,742	498,327	-	-	503,742	498,327
Total OPEB liability (RIAP)	1,484,530	1,516,473	799,362	816,563	2,283,892	2,333,036
Compensated absences	70,622	57,876	25,390	53,798	96,012	111,674
Lease liabilities	36,583	-	11,267	-	47,850	-
Direct borrowing and direct placement notes payable	-	-	3,782,017	3,947,681	3,782,017	3,947,681
Total	<u>\$ 2,216,294</u>	<u>\$ 2,414,814</u>	<u>\$ 4,683,091</u>	<u>\$ 5,002,270</u>	<u>\$ 6,899,385</u>	<u>\$ 7,417,084</u>

The Town of Taylorsville's total debt decreased by \$517,699 (7%) during the past fiscal year.

This decrease is primarily due to the decreases in pension liabilities (LGERS and RIAP) accounting for \$384,223 of the total decrease. Notes payable decreased \$117,814. Compensated absences and RIAP pension liabilities accounted for the remainder of the decrease.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town as of June 30, 2022 was approximately \$15,760,000.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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Additional information regarding the Town of Taylorsville's long-term debt can be found in the notes to these financial statements at Note 2.B(5).

### **Economic Factors and Next Year's Budgets and Rates**

The following are economic indicators affecting the Town:

The Town continues to see increased sales and use tax that has continued to prevail during the pandemic. One of the largest areas of growth has been ABC revenues as alcohol consumption has increased since the beginning of the pandemic. The Catawba County ABC Board has a contract with the Town to manage operations and has proven to be a very positive agreement. Enterprise Fund revenues are showing signs of improvement due to 2 years of rate increases totaling over 20%. The largest user, NC Department of Corrections, continues to remain at a 40% reduced rate of usage. Some customers are still in arrears for water and sewer payments even with assistance from programs from DSS and I-Care. Property sales have increased and upcoming revaluation cycle will hopefully capture the true market values in 2023.

### **Budget Highlights for the Fiscal Year Ending June 30, 2023**

**Governmental Activities.** The General Fund is budgeted to have \$2,438,950 in revenues in fiscal year 2022-2023. The Town estimates that there will be improvements related to sales tax revenues, as have been over the course of the last few years, and ABC stable revenues. The American Rescue Plan has disbursed \$344,034 in fiscal year 2021-2022 and another \$344,034 in fiscal year 2022-2023. The Town intends to be very patient in regards to the actual expenditure of these funds at this juncture given the rate of inflation and supply chain issues.

The Town has filled 2 full-time positions within the Police Department that were vacant prior to the COVID-19 pandemic. The 2 vacant positions in Public Works places a strain on services and the department. With continued increase in revenues, we plan to fill those positions as soon as feasible.

**Business-Type Activities.** Overall, water and sewer revenues are budgeted to increase by 8.1 percent compared to prior fiscal year. The prevailing need to monitor our position and address rate increases annually will become more prevalent and required. Several grant applications are being developed in hopes that matching funds and rescue plan proceeds can be mated to address water and sewer infrastructure repairs in the future. The Town continues to replace a good number of radio read meters that were installed in 2008-2010 under the American Reinvestment and Recovery Act (Obama Administration ERA).

### **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 Town Manager, 67 Main Avenue Drive, Taylorsville, North Carolina 28681.

**TOWN OF TAYLORSVILLE**

**BASIC FINANCIAL STATEMENTS**

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**

EXHIBIT A

JUNE 30, 2022

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 1,916,218	\$ 2,520,120	\$ 4,436,338
Property taxes receivable, net	14,588	-	14,588
Accounts receivable, net	-	153,304	153,304
Due from other governments	180,297	25,309	205,606
Other receivables	36,148	150	36,298
Lease receivable, current	29,884	-	29,884
Notes receivable, current	-	4,231	4,231
Cash, restricted	341,727	292,342	634,069
Total Current Assets	<u>2,518,862</u>	<u>2,995,456</u>	<u>5,514,318</u>
Noncurrent Assets:			
Lease receivable, non-current	15,004	-	15,004
Right to use leased assets, net of amortization	36,367	11,147	47,514
Capital Assets:			
Land and construction in progress	539,015	877,718	1,416,733
Other capital assets, net	<u>1,106,352</u>	<u>12,277,642</u>	<u>13,383,994</u>
Capital Assets, net	1,681,734	13,166,507	14,848,241
Notes receivable	<u>-</u>	<u>55,009</u>	<u>55,009</u>
Total Assets	<u>4,215,600</u>	<u>16,216,972</u>	<u>20,432,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>605,787</u>	<u>254,769</u>	<u>860,556</u>

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION (CONTINUED)**

EXHIBIT A

JUNE 30, 2022

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 40,302	\$ 57,987	\$ 98,289
Liabilities to be paid from restricted assets:			
Utility deposits	-	42,342	42,342
Advance from grantor	303,234	250,000	553,234
Compensated absences, current	35,311	12,695	48,006
Notes payable and lease liabilities, current	16,227	380,869	397,096
Total Current Liabilities	<u>395,074</u>	<u>743,893</u>	<u>1,138,967</u>
Long-Term Liabilities:			
Net pension liability - LGERS	120,817	65,055	185,872
Total pension liability - LEOSSA	503,742	-	503,742
Total pension liability - RIAP	1,484,530	799,362	2,283,892
Compensated absences, noncurrent	35,311	12,695	48,006
Notes payable and lease liabilities, noncurrent	20,356	3,412,415	3,432,771
Total Long-Term Liabilities	<u>2,164,756</u>	<u>4,289,527</u>	<u>6,454,283</u>
Total Liabilities	<u>2,559,830</u>	<u>5,033,420</u>	<u>7,593,250</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	44,825	-	44,825
Pension deferrals	343,776	167,282	511,058
Total deferred inflows of resources	<u>388,601</u>	<u>167,282</u>	<u>555,883</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,645,151	9,373,223	11,018,374
Restricted for:			
Stabilization by state statute	216,445	-	216,445
Restricted for streets	38,493	-	38,493
Unrestricted	(27,133)	1,897,816	1,870,683
Total Net Position	<u>\$ 1,872,956</u>	<u>\$ 11,271,039</u>	<u>\$ 13,143,995</u>

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**

EXHIBIT B

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General government	\$ 439,788	\$ 179,709	\$ 108,719	\$ -	\$ (151,360)	\$ -	\$ (151,360)
Public safety	1,394,089	126,438	31,063	-	(1,236,588)	-	(1,236,588)
Streets and public works	407,113	-	68,944	-	(338,169)	-	(338,169)
Other operations	5,991	57,009	-	-	51,018	-	51,018
Cultural and recreation	35,719	-	-	-	(35,719)	-	(35,719)
Interest on long-term debt	129	-	-	-	(129)	-	(129)
Total governmental activities	2,282,829	363,156	208,726	-	(1,710,947)	-	(1,710,947)
<b>Business-Type Activities:</b>							
Water and sewer	2,751,569	2,347,301	98,475	59,175	-	(246,618)	(246,618)
Total primary government	\$ 5,034,398	\$ 2,710,457	\$ 307,201	\$ 59,175	(1,710,947)	(246,618)	(1,957,565)
<b>General revenues:</b>							
Ad valorem taxes					785,206	-	785,206
Grants and contributions not restricted to a specific program					1,262,057	-	1,262,057
Miscellaneous					61,390	1,033	62,423
Investment earnings, unrestricted					13,784	13	13,797
Total general revenues					2,122,437	1,046	2,123,483
Transfers					(14,025)	14,025	-
Total general revenues and transfers					2,108,412	15,071	2,123,483
Change in net position					397,465	(231,547)	165,918
Net position, beginning					1,475,491	11,502,586	12,978,077
Net position, ending					\$ 1,872,956	\$ 11,271,039	\$ 13,143,995

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**

EXHIBIT C

JUNE 30, 2022

	<b>Major Funds</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>American Rescue Plan Fund</b>	
<b>ASSETS</b>			
Cash and investments	\$ 1,916,218	-	\$ 1,916,218
Property taxes receivable, net	14,588	-	14,588
Due from other governments	180,297	-	180,297
Lease receivable	44,888	-	44,888
Other receivables	36,148	-	36,148
Cash, restricted	38,493	303,234	341,727
Total assets	<u>2,230,632</u>	<u>303,234</u>	<u>2,533,866</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	40,302	-	40,302
Advance from grantor	-	303,234	303,234
Total liabilities	<u>40,302</u>	<u>303,234</u>	<u>343,536</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable, net	14,588	-	14,588
Leases	44,825	-	44,825
Total deferred inflows of resources	<u>59,413</u>	<u>-</u>	<u>59,413</u>
<b>FUND BALANCE</b>			
Non Spendable			
Leases	63	-	63
Restricted			
Stabilization by state statute	216,445	-	216,445
Restricted for streets	38,493	-	38,493
Unassigned	1,875,916	-	1,875,916
Total fund balance	<u>2,130,917</u>	<u>-</u>	<u>2,130,917</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,230,632</u>	<u>\$ 303,234</u>	<u>\$ 2,533,866</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Total fund balance			\$ 2,130,917
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,645,367
Right to use leased assets, net of amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			36,367
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.			(36,583)
Deferred outflows of resources related to pensions are not reported in the funds.			605,787
Liabilities for earned revenues are considered deferred inflows of resources in fund statements.			14,588
Deferred inflows of resources related to pensions are not reported in the funds.			(343,776)
The following long-term liabilities are not due and payable in the current period and, therefore, are no reported in the funds:			
Net pension liability - LGERS			(120,817)
Total pension liability - LEOSSA			(503,742)
Total pension liability - RIAP			(1,484,530)
Compensated absences			(70,622)
Net position of governmental activities			<u>\$ 1,872,956</u>

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

EXHIBIT D

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2022

	<b>Major Funds</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>American Rescue Plan Fund</b>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 787,820	\$ -	\$ 787,820
Unrestricted intergovernmental revenues	1,262,057	-	1,262,057
Restricted intergovernmental revenues	167,926	40,800	208,726
Sales and services	57,009	-	57,009
Investment earnings	13,784	-	13,784
Miscellaneous	367,537	-	367,537
Total Revenues	2,656,133	40,800	2,696,933
<b>EXPENDITURES</b>			
Current:			
General government	359,640	-	359,640
Public safety	1,288,266	-	1,288,266
Street and public works	385,419	-	385,419
Other operations	5,991	-	5,991
Culture and recreational	33,844	-	33,844
Capital outlay	265,145	-	265,145
Debt Service:			
Principal	16,190	-	16,190
Interest	129	-	129
Total Expenditures	2,354,624	-	2,354,624
Revenues over (under) expenditures	301,509	40,800	342,309
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	26,775	(40,800)	(14,025)
Lease liability issued	52,773	-	52,773
Total other financing sources (uses)	79,548	(40,800)	38,748
Net change in fund balances	381,057	-	381,057
Fund balances, beginning	1,749,860	-	1,749,860
Fund balances, ending	\$ 2,130,917	\$ -	\$ 2,130,917

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

EXHIBIT E

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 381,057
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	(2,614)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as follows:	
Capital outlay expenditures and right to use leased assets which were capitalized	265,145
Depreciation and amortization expense for governmental assets	(123,967)
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.	
Lease liabilities issued	(52,773)
Principal payments on lease liabilities	16,190
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense - LGERS	38,062
Pension expense - LEOSSA	(38,917)
Pension expense - RIAP	(71,972)
Compensated absences	(12,746)
Total changes in net position of governmental activities	<u>\$ 397,465</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

EXHIBIT F

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET TO ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 746,000	\$ 746,000	\$ 787,820	\$ 41,820
Unrestricted intergovernmental	741,300	741,300	1,262,057	520,757
Restricted intergovernmental	385,914	453,031	167,926	(285,105)
Sales and services	47,200	47,200	57,009	9,809
Investment earnings	600	600	13,784	13,184
Miscellaneous	290,350	316,037	367,537	51,500
Total Revenues	<u>2,211,364</u>	<u>2,304,168</u>	<u>2,656,133</u>	<u>351,965</u>
<b>EXPENDITURES</b>				
Current:				
General government	284,384	310,271	359,640	(49,369)
Public safety	1,220,450	1,315,991	1,288,266	27,725
Street and public works	598,180	532,020	385,419	146,601
Other operations	7,900	7,900	5,991	1,909
Cultural and recreational	26,450	34,950	33,844	1,106
Capital outlay	74,000	235,311	265,145	(29,834)
Debt Service:				
Principal	-	-	16,190	(16,190)
Interest	-	-	129	(129)
Total Expenditures	<u>2,211,364</u>	<u>2,436,443</u>	<u>2,354,624</u>	<u>81,819</u>
Revenues over (under) expenditures	<u>-</u>	<u>(132,275)</u>	<u>301,509</u>	<u>433,784</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in from special revenue fund	-	26,775	26,775	-
Lease liability issued	-	-	52,773	52,773
Appropriated fund balance	-	105,500	-	(105,500)
Total Other Financing Sources	<u>-</u>	<u>132,275</u>	<u>79,548</u>	<u>(52,727)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>381,057</u>	<u>\$ 381,057</u>
Fund balance, beginning			<u>1,749,860</u>	
Fund balance, ending			<u>\$ 2,130,917</u>	

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION –**  
**PROPRIETARY FUNDS**

EXHIBIT G

JUNE 30, 2022

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 2,520,120
Accounts receivable, net	153,304
Other receivable	150
Notes receivable, current	4,231
Due from other governments	25,309
Restricted cash and cash equivalents	<u>292,342</u>
Total current assets	<u>2,995,456</u>
Noncurrent Assets:	
Capital Assets:	
Right to use lease asset, net of amortization	11,147
Land and construction in progress	877,718
Other capital assets, net	<u>12,277,642</u>
Total capital assets	13,166,507
Notes receivable	<u>55,009</u>
Total noncurrent assets	<u>13,221,516</u>
Total assets	<u>16,216,972</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>254,769</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	57,987
Liabilities to be paid from restricted assets:	
Utility deposits	42,342
Advance from Grantor	250,000
Compensated absences - current	12,695
Notes payable, current	<u>380,869</u>
Total current liabilities	<u>743,893</u>
Noncurrent Liabilities:	
Notes payable, noncurrent	3,412,415
Net pension liability - LGERS	65,055
Total pension liability - RIAP	799,362
Compensated absences, noncurrent	<u>12,695</u>
Total noncurrent liabilities	<u>4,289,527</u>
Total liabilities	<u>5,033,420</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>167,282</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,373,223
Unrestricted	<u>1,897,816</u>
Total net position	<u>\$ 11,271,039</u>

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

EXHIBIT H

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2022

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	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,323,850
Other operating revenues	23,451
Total operating revenues	<u>2,347,301</u>
<b>OPERATING EXPENSES</b>	
Operations	1,980,288
Depreciation and amortization	758,736
Total operating expenses	<u>2,739,024</u>
Operating loss	<u>(391,723)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Government Grants	83,475
Investment earnings	13
Contributions	15,000
Gain on disposal of asset	1,033
Interest expense	<u>(12,545)</u>
Net nonoperating revenue (expenses)	<u>86,976</u>
Loss before capital contributions and transfers	(304,747)
Capital contributions	59,175
Transfers in (out)	<u>14,025</u>
Change in net position	(231,547)
Net position, beginning	<u>11,502,586</u>
Net position, ending	<u>\$ 11,271,039</u>

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE –**  
**ENTERPRISE FUND**

EXHIBIT I

YEAR ENDED JUNE 30, 2022

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,338,093
Other operating cash receipts	23,451
Cash paid for goods and services	(1,400,628)
Cash paid to employees	(573,143)
Net cash provided by operating activities	<u>387,773</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	14,025
Cash received from contributions	15,000
Cash received from government grants	83,475
Net cash provided by operating activities	<u>112,500</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(151,921)
Proceeds from long-term debt	152,277
Lease liability issued	16,253
Principal paid on long-term debt	(322,927)
Interest paid on debt	(12,545)
Proceeds from sale of capital assets	1,033
Cash received from capital contributions	309,175
Net cash used by capital and related financing activities	<u>(8,655)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>13</u>
Net increase in cash and cash equivalents	491,631
Cash and cash equivalents, beginning	<u>2,320,831</u>
Cash and cash equivalents, ending	<u>\$ 2,812,462</u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (391,723)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	758,736
Changes in assets and liabilities:	
Increase in accounts receivable	(25,781)
Decrease in due from other governments	9,691
Decrease in notes receivable	-
Decrease in deferred outflows of resources	30,634
Increase in accounts payable and accrued expenses	6,975
Decrease in customer deposits	40,024
Decrease in net pension liability - LGERS	(119,173)
Decrease in total pension liability - RIAP	(17,201)
Decrease in compensated absences	(28,408)
Increase in deferred inflows of resources	123,999
Net cash provided by operating activities	<u>\$ 387,773</u>

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

**TOWN OF TAYLORSVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 1—Summary of significant accounting policies

The accounting policies of the Town of Taylorsville (the “Town”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

#### 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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

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

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

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. It is used to account 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 state-shared revenues. The primary expenditures are for public safety, street maintenance and construction, sanitation service, and general governmental services.

**American Rescue Plan Fund.** This fund accounts for the transactions related to the American Rescue Plan Funds.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 1—Summary of significant accounting policies (continued)

The Town reports the following major enterprise fund:

**Enterprise Fund.** The Enterprise Fund is used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one enterprise fund - the Water and Sewer Fund. The Water and Sewer Capital Projects funds have been consolidated with the Water and Sewer Fund for financial reporting purposes.

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

In accordance with North Carolina General Statutes (“G.S.”), all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal on-going operations. The principal operating revenues of the Town’s Enterprise Fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### **Note 1—Summary of significant accounting policies (continued)**

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

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

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the American Rescue Plan Act Fund and for all Enterprise Capital Project Funds. The 2015 Wastewater Treatment Plant Improvements Project, Sewer Collection System Rehabilitation Project, Linney Mountain Area Water Project, 2019 Waste Water Treatment Plant Improvement Project, the Waste Water Treatment Plant Renewable Water Project, are enterprise capital project funds. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer amounts up to \$5,000 between departments including contingency appropriations within the same fund. The Town Manager must make an official report on such transfers at the next regular meeting of the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 1—Summary of significant accounting policies (continued)**

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

**1. Deposits and Investments**

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

State law [G.S. 159-30] 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 NCCMT Government Portfolio, a SEC-registered (2a-7) government money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with state law, the Town has invested in securities, which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**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. The Town considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

The Town has no policy regarding credit risk.

**3. Restricted Assets**

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services were supplied are restricted to the service for which the deposits were collected. Unspent grant funds are classified as restricted assets because they can only be expended for the purposes as defined in the grant agreements.

**Town of Taylorsville Restricted Cash**

Governmental Activities:		
General Fund	Streets	\$ 38,493
American Rescue Plan Fund	Unspent grant funds	303,234
Business-Type Activities		
Water and Sewer Fund	Utility deposits	42,342
Water and Sewer Capital Project Fund	Unspent grant funds	<u>250,000</u>
Total restricted cash		<u>\$ 634,069</u>

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 1—Summary of significant accounting policies (continued)

#### 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, penalties and interest do not accrue until the following January 6. 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.

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. Notes Receivable

The Town is under an agreement with Energy United for the completion of the Water Efficiency Project. Under this agreement, Energy United will reimburse the Town for 27.5% of the outstanding balance until completion of the project.

#### 8. Capital and Intangible Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a \$1,000 and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; \$5,000 computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. Also, the Town has elected not to capitalize those interest costs that are incurred during the construction period of general fixed assets. 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.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

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**Note 1—Summary of significant accounting policies (continued)**

**8. Capital and Intangible Assets (continued)**

Capital assets are depreciated on a straight-line method over the following useful lives to the cost of the assets:

<u>Assets</u>	<u>Estimated Useful Lives</u>
General governmental infrastructure - road network	45 years
General governmental infrastructure - bridges	50 years
Buildings	40 years
Other improvements	10-40 years
Equipment and vehicles	3-10 years

Intangible assets are amortized over the following useful lives to the cost of the assets:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Water capacity	30 years

**9. Right to Use Assets**

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at 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 straight-line basis over the life of the related lease.

**10. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The 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 criteria, pension deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period and so will not be recognized as revenues until then. The Town has three items that meet this criteria – property taxes receivable, leases, and pension deferrals.

**11. Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type Statement of Net Position.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### **Note 1—Summary of significant accounting policies (continued)**

#### **11. Long-Term Obligations (continued)**

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing source.

The Town's long-term debt for water and sewer system improvements is carried within the Enterprise Fund. The debt service requirements for that debt are being met by water and sewer revenues, but the taxing power of the Town is pledged to make these payments if water and sewer revenues should ever be insufficient.

#### **12. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **13. Reimbursements for Pandemic-related Expenditures**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$688,068 of fiscal recovery funds to be paid in two equal installments. The first installment of \$344,034 was received in September 2021. The second installment was received subsequent to year end. Town staff and Council have elected to use \$92,900 of the ARPA funds for premium pay. The Town plans on using the rest of the funds for revenue replacement in Fiscal Year 2023. In Fiscal Year 2022, funds to be used for premium pay were transferred to the General Fund and to the Water Sewer Enterprise Fund in the amount of \$26,775 and \$14,025, respectively. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds is determined.

#### **14. Net Position/Fund Balances**

##### **Net Position**

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 1—Summary of significant accounting policies (continued)

#### 14. Net Position/Fund Balances (continued)

The governmental fund types classify fund balances as follows:

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

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by state statute [G.S. 159-8(a)], which 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 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 restriction is "imposed by the law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Streets – portion of fund balance that is restricted by appropriation, but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Committed Fund Balance* – This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Taylorsville'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 the limitation.

*Assigned Fund Balance* – Assigned fund balance is the portion of fund balance that the Town of Taylorsville intends to use for specific purposes.

*Unassigned Fund Balance* – Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Taylorsville 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, or Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted cash 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.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

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**Note 1—Summary of significant accounting policies (continued)**

**14. Net Position/Fund Balances (continued)**

The Town has not adopted a formal fund balance policy.

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

Total fund balance - General Fund	\$ 2,130,917
Less:	
Leases	(63)
Stabilization by state statute	(216,445)
Total available fund balance	<u>\$ 1,914,409</u>

**15. Defined Benefit Cost – Sharing Plans**

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

**16. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

**Note 2—Stewardship, Compliance, and Accountability**

**1. Budget Violations-Excess of Expenditures over Appropriations**

The town is in violation of state law G.S. 159-28. State law requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act. For the fiscal year ended June 30, 2022, expenditures in the General Fund exceeded authorized appropriations made by the governing board for general government expenditures by \$49,369, capital outlay by \$29,834 and debt service by \$16,319. In the Water Sewer Fund, transfers to water sewer capital project funds exceeded authorized appropriations by \$96,426. Capital outlay and debt service over-expenditures occurred due to the recording of transactions necessary to implement the new accounting standard for leases (GASB No. 87) effective July 1, 2021.

**2. Non-compliance with North Carolina General Statutes**

N.C. General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year end. The 2022 audit was delayed; refer to finding 2022-002 for further information.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—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 this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 \$5,057,741 and a bank balance of \$5,089,371. Of the bank balance, \$455,352 was covered by federal depository insurance, and \$4,634,019 was covered by collateral held under the Pooling Method. All of the bank balance was covered by federal depository insurance.

**2. Investments**

At June 30, 2022, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 months</u>	<u>Months</u>	<u>Maturity</u>	<u>Rating</u>
N.C. Capital Management Trust - Government Portfolio	Fair Value - Level 1	<u>\$ 12,666</u>	N/A	N/A	N/A	AAAm

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

*Level of Fair Value Hierarchy.* Level 1: debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The Town has not adopted a formal investment policy addressing interest rate risk.

*Credit risk.* The Town has no formal policy regarding credit risk but is in compliance with the limitations established in G.S. 159-30 which restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2022.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

**3. Receivables - Allowances for Doubtful Accounts**

The receivables shown in Exhibit A at June 30, 2022 were as follows:

	Accounts	Taxes	Due from Other Governments	Leases	Other Receivables	Total
Governmental Activities:						
General	\$ -	\$ 44,392	\$ 180,297	\$ 44,888	\$ 36,148	\$ 305,725
Allowance for doubtful accounts	-	(29,804)	-	-	-	(29,804)
Total governmental activities	\$ -	\$ 14,588	\$ 180,297	\$ 44,888	\$ 36,148	\$ 275,921
Business-Type Activities:						
Water and sewer	\$ 403,988	\$ -	\$ 25,309	\$ -	\$ 150	\$ 429,447
Allowance for doubtful accounts	(250,684)	-	-	-	-	(250,684)
Total business-type activities	\$ 153,304	\$ -	\$ 25,309	\$ -	\$ 150	\$ 178,763

Due from other governments consisted of the following:

	Governmental Activities	Business-Type Activities
Sales tax refund	\$ 9,442	25,309
Local option sales tax	170,855	-
Total	\$ 180,297	\$ 25,309

**4. Lease Receivable**

On July 1, 2021, the Town entered into a 30 month lease as Lessor for the use of ABC Store. An initial lease receivable was recorded in the amount of \$74,709. As of June 30, 2022, the value of the lease receivable is \$44,888. The lessee is required to make monthly fixed payments of \$2,500. The lease has an interest rate of 0.3150%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$44,825, and the Town recognized lease revenue of \$29,883 and interest revenue of \$179 during the fiscal year.

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 29,902	\$ 98	\$ 30,000
2024	14,986	14	15,000
Total	\$ 44,888	\$ 112	\$ 45,000

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

**5. Capital Assets**

A summary of changes in the Town’s governmental capital assets is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Non-Depreciable Assets:				
Land	\$ 539,015	\$ -	\$ -	\$ 539,015
Depreciable Assets:				
Building and improvements	1,100,843	-	-	1,100,843
Infrastructure	460,054	-	-	460,054
Equipment	500,960	30,827	-	531,787
Vehicles	574,189	181,545	91,164	664,570
Total depreciable assets	<u>2,636,046</u>	<u>212,372</u>	<u>91,164</u>	<u>2,757,254</u>
Less Accumulated Depreciation:				
Building and improvements	605,670	26,774	-	632,444
Infrastructure	74,446	10,223	-	84,669
Equipment	430,739	22,480	-	453,219
Vehicles	523,650	48,084	91,164	480,570
Total accumulated depreciation	<u>1,634,505</u>	<u>107,561</u>	<u>91,164</u>	<u>1,650,902</u>
Governmental activities capital assets, net	<u>\$ 1,540,556</u>	<u>\$ 104,811</u>	<u>\$ -</u>	<u>\$ 1,645,367</u>

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

<b>Governmental Activities:</b>	
General government	\$ 31,288
Public safety	52,704
Public works	21,694
Cultural and recreational	<u>1,875</u>
Total	<u>\$ 107,561</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

**5. Proprietary Capital Assets**

The capital assets of the Proprietary Fund of the Town at June 30, 2022 were as follows

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>By Asset Type:</b>				
Non-Depreciable Assets:				
Land	\$ 181,809	\$ -	\$ -	\$ 181,809
Construction in progress	3,946,346	104,322	3,354,759	695,909
Total non-depreciable assets	<u>4,128,155</u>	<u>104,322</u>	<u>3,354,759</u>	<u>877,718</u>
Depreciable and Amortizable Assets:				
Land improvements	89,266	-	-	89,266
Water and sewer pumps and lines	17,782,323	3,354,759	-	21,137,082
Building	152,945	-	-	152,945
Vehicles	145,274	-	-	145,274
Equipment	474,114	31,346	1,200	504,260
Water capacity	750,000	-	-	750,000
Total depreciable and amortizable assets	<u>19,393,922</u>	<u>3,386,105</u>	<u>1,200</u>	<u>22,778,827</u>
Less Accumulated Depreciation:				
Land improvements	67,343	1,378	-	68,721
Water and sewer pumps and lines	8,783,027	569,524	-	9,352,551
Building	86,079	7,476	-	93,555
Vehicles	139,899	2,914	-	142,813
Equipment	309,907	147,338	1,200	456,045
Water capacity	362,500	25,000	-	387,500
Total accumulated depreciation	<u>9,748,755</u>	<u>753,630</u>	<u>1,200</u>	<u>10,501,185</u>
Business-type activities capital assets, net	<u>\$ 13,773,322</u>	<u>\$ 2,736,797</u>	<u>\$ 3,354,759</u>	<u>\$ 13,155,360</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

**6. Right to Use Leased Assets**

The Town has recorded four right to use leased assets. The assets are right to use assets for leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Town for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Right to use assets				
Leased vehicles	\$ -	\$ 52,773	\$ -	\$ 52,773
Total right to use assets	<u>-</u>	<u>52,773</u>	<u>-</u>	<u>52,773</u>
Less accumulated amortization				
Leased Vehicles	-	16,406	-	16,406
Total accumulated amortization	<u>-</u>	<u>16,406</u>	<u>-</u>	<u>16,406</u>
Governmental activities right to use assets, net	<u>\$ -</u>	<u>\$ 36,367</u>	<u>\$ -</u>	<u>\$ 36,367</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Right to use assets				
Leased vehicles	\$ -	\$ 16,253	\$ -	\$ 16,253
Total right to use assets	<u>-</u>	<u>16,253</u>	<u>-</u>	<u>16,253</u>
Less accumulated amortization				
Leased Vehicles	-	5,106	-	5,106
Total accumulated amortization	<u>-</u>	<u>5,106</u>	<u>-</u>	<u>5,106</u>
Business type activities right to use assets, net	<u>\$ -</u>	<u>\$ 11,147</u>	<u>\$ -</u>	<u>\$ 11,147</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

**7. Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2022 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets and right to use assets, net	\$ 1,681,734	\$ 13,166,507
Long-term debt	(36,583)	(3,793,284)
Net investment in capital assets	<u>\$ 1,645,151</u>	<u>\$ 9,373,223</u>

**B. Liabilities**

**1. Payables**

Payables at Exhibit A at June 30, 2022 were as follows:

	<b>Vendors</b>	<b>Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	<u>\$ 28,005</u>	<u>\$ 12,297</u>	<u>\$ 40,302</u>
<b>Business-Type Activities:</b>			
Water and sewer	<u>\$ 52,847</u>	<u>\$ 5,140</u>	<u>\$ 57,987</u>

**2. Pension Plan Obligations**

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

*Plan Description.* The Town of Taylorsville is a participating employer in the state-wide 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 (ACFR) for the State of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement 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.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### **Note 3—Detail notes on all funds (continued)**

Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Taylorsville 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 Taylorsville's contractually required contribution rate for the year ended June 30, 2022 was 12.10% of compensation for law enforcement officers and 11.35% for general employees and firefighters, 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 Taylorsville were \$128,069 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 \$185,872 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, 2021, the Town's proportion was 0.01212%, which was an decrease of 0.00261% from its proportion measured as of June 30, 2020.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

For the year ended June 30, 2022, the Town recognized pension expense of \$69,512. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 59,133	\$ -
Changes of assumptions	116,775	-
Net difference between projected and actual earnings on pension plan investments	-	265,555
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,141	38,869
Town contributions subsequent to the measurement date	128,069	-
Total	<u>\$ 308,118</u>	<u>\$ 304,424</u>

The \$128,069 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 ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

**Years Ending June 30,**

2023	\$ 6,689
2024	(18,013)
2025	(31,789)
2026	<u>(81,262)</u>
Total	<u>\$ (124,375)</u>

*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	2.50%
Salary increases	3.25 to 8.25%, including inflation and productivity factor
Investment rate of return	6.5%, 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, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and, are therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation sensitive	6.0%	4.0%
Total	100.0%	

The information in the preceding table is based on 30 year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset liability and investment policy of the North Carolina Retirement Systems. 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 6.5%. 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.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

*Sensitivity of the Town’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.5%, 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 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	<u>1% Decrease (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Town's proportionate share of the net pension liability	\$ 721,539	\$ 185,872	\$ (254,951)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

**b. Law Enforcement Officers Special Separation Allowance**

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance’s membership consisted of:

Retirees and beneficiaries currently receiving benefits	2
Current employees	<u>11</u>
Total	<u>13</u>

*Summary of Significant Accounting Policies.*

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statements 73.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 3—Detail notes on all funds (continued)

*Actuarial Assumptions.* The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 7.75%, including inflation and productivity factor
Discount rate	2.25%

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

*MORTALITY ASSUMPTION:* All mortality rates use Pub-2010 amount weighted tables.

*MORTALITY PROJECTION:* All mortality rates are projected from 2010 using generational improvement with Scale MP-2019

*DEATHS AFTER RETIREMENT (Healthy):* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

*DEATHS AFTER RETIREMENT (Disabled Members at Retirement):* Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

*DEATHS AFTER RETIREMENT (Survivors of Deceased Members):* Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

*DEATHS PRIOR TO RETIREMENT:* Mortality rates are based on the Safety Mortality Table for Employees.

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$16,544 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$503,742. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$59,891.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 27,712	\$ 18,150
Changes of assumptions and other inputs	96,740	14,958
Benefit payments and administrative expenses subsequent to the measurement date	8,191	-
Total	<u>\$ 132,643</u>	<u>\$ 33,108</u>

\$8,191 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

**Years Ending June 30,**

2023	\$ 21,489
2024	22,372
2025	29,080
2026	19,071
2027	(668)
Total	<u>\$ 91,344</u>

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	<u>\$ 546,602</u>	<u>\$ 503,742</u>	<u>\$ 465,017</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

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

Balance at June 30, 2021	\$ 498,327
Changes for the year:	
Service cost	24,769
Interest	9,458
Difference between expected and actual experience	981
Changes of assumptions or other inputs	(13,249)
Benefit payments	(16,544)
Net change in total pension liability	5,415
Balance at June 30, 2022	\$ 503,742

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

**d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees**

All non-law enforcement employees employed by the Town participate in the Supplemental Retirement Income Plan, a defined contribution pension plan. The Town has no requirement or obligation under state statutes to contribute to this plan; however, the Town has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The Town contributes 5% of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. The Town made contributions of \$28,179. No amounts were forfeited.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

**e. Retiree Insurance Allowance Plan**

*Plan Description.* The Town of Taylorsville administers a public employee retiree insurance allowance (RIAP), a single employer defined benefit pension plan that provides a health and dental insurance stipend based on percentages of the Town’s medical and dental premiums. Employees who have at least fifteen (15) years of service with the Town of Taylorsville and are at least fifty (50) years of age or who have thirty (30) years of service with the Town of Taylorsville, regardless of age, were hired before July 1, 2010, and retire under the North Carolina Local Governmental Employees Retirement System (LGERS), are eligible to receive Town benefits in the form of a defined benefit stipend.

Employees who have at least thirty (30) years of service with the Town of Taylorsville and are at least fifty-five (55) years of age, were hired on or after July 1, 2010, and retire under the LGERS before being eligible to receive Town benefits in the form of a defined benefit stipend.

*Amount of Allowance.* Employees who were hired before July 1, 2010 receive the following health and dental insurance stipend based on percentages of the Town’s medical and dental premiums.

<b>Years of Service at Retirement</b>	<b>Minimum Age</b>	<b>Pre-65 Contribution Percentage</b>	<b>Post-65 Contribution Percentage</b>
15-19	50	50%	45%
20-25	50	75%	65%
26 or more	50	100%	75%
30 or more	none	100%	75%

Employees who were hired on or after July 1, 2010 receive the following health and dental insurance stipend based on percentages of the Town’s medical and dental premiums.

<b>Years of Service at Retirement</b>	<b>Minimum Age</b>	<b>Pre-65 Contribution Percentage</b>	<b>Post-65 Contribution Percentage</b>
30 or more	55	100%	75%

The health and dental stipends are paid for the eligible retiree’s lifetime.

At December 31, 2021, the Retirement Insurance Allowance Plan membership consisted of:

Retirees receiving benefits	5
Active plan members	21
Total	<u>26</u>

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 3—Detail notes on all funds (continued)

#### *Summary of Significant Accounting Policies.*

*Basis of Accounting* – The Town has chosen to fund the Retirement Insurance Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on a modified accrual basis,

and the Water and Sewer Fund, which is maintained on accrual basis. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statements 73.

*Actuarial Assumptions.* The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor for general employees 3.25% to 7.75%, including inflation and productivity factor for law enforcement officers
Discount rate	2.25
Medical trend rates	Pre-Medicare - 7.00% Post-Medicare - 5.125%
Ultimate trend date	2031

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index.

All mortality rates use Pub-2010 amount weighted tables. All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

*Contributions.* The Town has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town paid \$23,412 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$2,283,892. The total pension liability was measured as of December 31, 2021 based on a December 31, 2021 actuarial valuation. For the year ended June 30, 2022, the Town recognized pension expense of \$140,252.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 48,708
Changes of assumptions and other inputs	407,432	124,818
Benefit payments and administrative expenses subsequent to the measurement date	12,363	-
Total	<u>\$ 419,795</u>	<u>\$ 173,526</u>

\$12,363 reported as deferred outflows of resources related to RIAP Pension resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

**Years Ending June 30,**

2023	\$ 22,529
2024	46,845
2025	46,845
2026	46,845
2027	46,845
Thereafter	23,997
Total	<u>\$ 233,906</u>

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as the Town's total pension liability would be if it were calculated using a discount that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	<u>\$ 2,804,894</u>	<u>\$ 2,283,892</u>	<u>\$ 1,889,300</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2022*

**Note 3—Detail notes on all funds (continued)**

**Schedule of Changes in Total Pension Liability**  
**Retiree Insurance Allowance Plan**

	<b>Total RIAP Liability</b>
Balance at June 30, 2020	\$ 2,333,036
Changes for the year:	
Service cost	59,293
Interest	44,802
Difference between expected and actual experience	(13,473)
Changes of assumptions and other inputs	(116,354)
Benefit payments	(23,412)
Net change in total pension liability	(49,144)
Balance at June 30, 2021	\$ 2,283,892

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

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

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

	<u>LEOSSA</u>	<u>LGERS</u>	<u>RIAP</u>	<u>Total</u>
Pension expense	\$ 59,891	\$ 69,512	\$ 140,252	\$ 269,655
Pension liability	503,742	185,872	2,283,892	2,973,506
Proportionate share of the net position liability	N/A	0.01212%	N/A	-
<b>Deferred Outflows of Resources:</b>				
Difference between expected and actual experience	\$ 27,712	\$ 59,133	\$ -	\$ 86,845
Changes of assumptions and other inputs	96,740	116,775	407,432	620,947
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	4,141	-	4,141
Benefit payments and administrative cost paid subsequent to the measurement date	8,191	128,069	12,363	148,623
Total deferred outflows of resources	<u>\$ 132,643</u>	<u>\$ 308,118</u>	<u>\$ 419,795</u>	<u>\$ 860,556</u>
<b>Deferred Inflows of Resources:</b>				
Difference between expected and actual experience	\$ 18,150	\$ -	\$ 48,708	\$ 66,858
Changes of assumptions and other inputs	14,958	-	124,818	139,776
Net difference between projected and actual earnings on pension plan investments	-	265,555	-	265,555
Changes in proportion and differences between contributions and proportionate share of contributions	-	38,869	-	38,869
Total deferred inflows of resources	<u>\$ 33,108</u>	<u>\$ 304,424</u>	<u>\$ 173,526</u>	<u>\$ 511,058</u>

**g. Other Employment Benefits**

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

determined as a percentage of monthly payroll based upon rates established annually by the state. The Town considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources at year-end are comprised of the following:

	<b>Statement of Net Position</b>
<b>Governmental Activities:</b>	
LEOSSA	\$ 132,643
LGERS	200,277
RIAP	<u>272,867</u>
Total governmental activities	<u>\$ 605,787</u>
<b>Business-Type Activities:</b>	
LGERS	\$ 107,841
RIAP	<u>146,928</u>
Total business-type activities	<u>\$ 254,769</u>

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

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
<b>Governmental Activities:</b>		
Taxes receivable, net	\$ -	\$ 14,588
Lease receivable	44,825	44,825
LEOSSA	33,108	-
LGERS	197,876	-
RIAP	<u>112,792</u>	<u>-</u>
Total governmental activities	<u>\$ 388,601</u>	<u>\$ 59,413</u>
<b>Business-Type Activities:</b>		
LGERS	\$ 106,548	
RIAP	<u>60,734</u>	
Total business-type activities	<u>\$ 167,282</u>	

**4. 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 a self-funded, risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town has workers' compensation coverage that provides for coverage of losses up to the statutory limits set by the Insurance Commission. The pool is reinsured through commercial companies for single occurrence claims in excess of \$1,000,000.

The Town does not carry flood insurance.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

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 \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

**5. Long-Term Obligations**

**a. Leases**

The Town has entered in agreements to lease certain vehicles. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**Governmental Activities:**

On July 1, 2021, Town entered into a three separate leases for the lease of three police vehicles. Each lease is a 38 month lease with an interest rate of 0.3150% and a required monthly fixed payment of \$453. An initial lease liability for all three leases was recorded in the amount of \$52,773. As of June 30, 2022, the value of the lease liability is \$36,583. As a result of the lease, the Town has recorded a right to use asset as of June 30, 2022 of \$52,773 with accumulated amortization of \$16,406. The leases have a guaranteed residual value payment of \$3,126 each for a total value of \$9,378.

**Business-type Activities:**

On July 1, 2021, the Town entered into a 38 month lease as Lessee for the use of Public Works Truck. An initial lease liability was recorded in the amount of \$16,253. As of June 30, 2022, the value of the lease liability is \$11,267. The Town is required to make monthly fixed payments of \$419. The lease has an interest rate of 0.3150%. As a result of the lease, the Town has recorded a right to use asset as of June 30, 2022 of \$16,253 with accumulated amortization of \$5,106. The lease has a guaranteed residual value payment of \$6,368.

Amount of lease assets by major classes of underlying asset:

	As of Fiscal Year-End		
	<u>Lease Asset</u> <u>Value</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
Asset Class			
Vehicle	\$ 69,026	\$ 21,512	\$ 47,514
Total Leases	<u>\$ 69,026</u>	<u>\$ 21,512</u>	<u>\$ 47,514</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 16,227	\$ 93	\$ 4,998	\$ 28	\$ 21,225	\$ 121
2024	16,278	42	5,013 #	13	21,291	55
2025	4,078	2	1,256	1	5,334	3
Total	\$ 36,583	\$ 137	\$ 11,267	\$ 42	\$ 47,850	\$ 179

**b. Notes Payable**

**Business-Type Activities:**

\$1,196,868 payable to Energy United issued June 2007, interest at 2.30% payable in annual installments of \$74,733, including interest, beginning June 2007, with a final payment due in fiscal year 2027, secured by water interconnect and rights to water capacity	\$ 319,925
\$328,223 payable to NCDENR issued February 2020, interest at -0-% payable Federal Revolving Loan in annual installments of \$22,462, beginning May 2021, with a final payment due in fiscal year 2040, secured by asset being constructed with proceeds from the loan.	283,299
\$505,151 payable to NCDENR issued March 2009, interest at -0-% Federal Revolving Loan, beginning June 2009, payable in annual installments of \$25,248, with a final payment due in fiscal year 2030	201,979
\$101,467 payable to NCDENR issued September 2009, interest at -0-% Federal Revolving Loan, beginning May 2011, payable in annual installments of \$5,072, with a final payment due in fiscal year 2030	40,575
\$344,673 payable to NCDENR issued July 2012, interest at 2% Federal Revolving Loan, beginning November 2011, due in annual installments of \$17,234 plus interest, with a final payment due in fiscal year 2033	189,569
\$307,736 payable to NCDENR issued September 2012, interest at -0-% Federal Revolving Loan, beginning May 2016, due in annual installments of \$15,386, with a final payment due in fiscal year 2035	200,027
\$1,497,738 payable to NCDENR issued June 2017, interest at -0-% Federal Revolving Loan, beginning May 2019, due in annual installments of \$149,774, with a final payment due in fiscal year 2030	1,198,210

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

\$482,153 payable to NCDENR issued June 2016, interest at -0-% Federal Revolving Loan, beginning May 2019, due in annual installments of \$24,293, with a final payment due in fiscal year 2040	428,581
\$219,685 payable to NCDENR issued June 2019, interest at -0-% Federal Revolving Loan, beginning May 2020, due in annual installments of \$12,446, with a final payment due in fiscal year 2038	194,793
\$850,335 payable to NCDENR issued August 2012, interest at -0-% Federal Revolving Loan, beginning June 2015, due in annual installments of \$42,518 with a final payment due in fiscal year 2035	552,731
\$191,476 payable to NCDENR issued December 2020, interest at -0-% payable Federal Revolving Loan in annual installments of \$9,574, beginning May 2021, with a final payment due in fiscal year 2040, secured by asset being constructed with proceeds from the loan.	172,328
	<u>\$ 3,782,017</u>

The Town's outstanding note from direct borrowing related to business-type activities of \$319,925 is secured with an intangible asset. The Town's outstanding note from direct borrowing related to business-type activities of \$319,925 contain provisions that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the Town's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorneys' fees and other expenses.

All other remaining debts for the Town's business-type activities (other than the note payable for \$319,925) are similar in nature and represents notes payable from direct borrowings related to business-type activities and are secured by the underlying asset being constructed. The Town's outstanding notes from direct borrowings related to business-type activities contain provisions that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the Town's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorneys' fees and other expenses.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 3—Detail notes on all funds (continued)**

Annual debt service requirements to maturity for the Town’s business-type activities notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 375,871	\$ 10,642	\$ 386,513
2024	388,106	8,723	396,829
2025	389,725	6,759	396,484
2026	391,369	4,770	396,139
2027	357,511	2,863	360,374
2028-2032	1,233,159	6,893	1,240,052
2033-2037	508,122	345	508,467
2038-2040	138,154	-	138,154
Total	<u>\$ 3,782,017</u>	<u>\$ 40,995</u>	<u>\$ 3,823,012</u>

A summary of long-term debt is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities:</b>					
Lease liability	\$ -	\$ 52,773	\$ 16,190	\$ 36,583	\$ 16,227
Net pension liability (LGERS)	342,138	-	221,321	120,817	-
Total pension liability (LEOSSA)	498,327	5,415	-	503,742	-
Total pension liability (RIAP)	1,516,473	-	31,943	1,484,530	-
Accrued vacation pay	57,876	78,508	65,762	70,622	35,311
Total	<u>\$ 2,414,814</u>	<u>\$ 136,696</u>	<u>\$ 335,216</u>	<u>\$ 2,216,294</u>	<u>\$ 51,538</u>
<b>Business-Type Activities:</b>					
Direct borrowing notes payable	\$ 3,947,681	\$ 152,277	\$ 317,941	\$ 3,782,017	\$ 375,871
Lease liability	-	16,253	4,986	11,267	4,998
Net pension liability (LGERS)	184,228	-	119,173	65,055	-
Total pension liability (RIAP)	816,563	-	17,201	799,362	-
Accrued vacation pay	53,798	29,090	57,498	25,390	12,695
Total	<u>\$ 5,002,270</u>	<u>\$ 197,620</u>	<u>\$ 516,799</u>	<u>\$ 4,683,091</u>	<u>\$ 393,564</u>

Compensated absences have been liquidated in the General Fund compensated absences and are accounted for on an FIFO basis.

Pension obligations typically have been liquidated in the fund that is related to the retirees.

At June 30, 2022, the Town had a legal debt margin of approximately \$15,760,000.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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### Note 4—Interfund Activity

Transfer to/from other funds at June 30, 2022 consist of the following:

From the American Rescue Plan Fund to the General Fund for allowable costs	\$ 26,775
From the American Rescue Plan Fund to the Water Sewer Fund for allowable costs	14,025
From the Water Sewer Fund to the 2015 Wastewater Treatment Plant Capital Project Fund to fund project costs	93,973
From the Water Sewer Fund to the Sewer System Collection System Rehabilitation Project Fund to fund project costs	20,577
From the Water Sewer Fund to the Linney Mountain Area Water Project Fund to fund project costs	<u>1,444</u>
Total Transfers	<u>\$ 156,794</u>

### Note 5—Jointly governed organization

The Town, in conjunction with four counties and twenty-three other municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$3,444 for membership to the Council during the fiscal year ended June 30, 2022.

### Note 6—Summary disclosure of significant contingencies

#### A. Federal and State-Assisted Programs

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

### Note 7—Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2022*

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**Note 8—Subsequent Events – Date of Management Evaluation**

Management has evaluated subsequent events through May 1, 2024, the date on which the financial statements were available to be issued.

Subsequent to year end, and before the financial statements were issued, the North Carolina Office of the State Auditor performed an investigative audit on the Town. They issued their report dated October 26, 2023. The results of this audit and the Town's responses can be found on the NC State Auditor's website.

<https://www.auditor.nc.gov/EPSSWeb/reports/investigative/INV-2023-0785.pdf>

## **TOWN OF TAYLORSVILLE**

### **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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- Local Governmental Employees' Retirement System – Schedule of the Proportionate Share of Net Pension Liability (Asset)
- Local Governmental Employees' Retirement System – Schedule of Contributions
- Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability
- Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Retiree Insurance Allowance Plan – Schedule of Changes in Total Pension Liability
- Retiree Insurance Allowance Plan – Schedule of Total Pension Liability as a Percentage of Covered Payroll

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**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM –

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST NINE FISCAL YEARS\*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01212%	0.01473%	0.01580%	0.01530%	0.01480%	0.01570%	0.01710%	0.01720%	0.01730%
Town's proportion of the net pension liability (asset) (\$)	\$ 185,872	\$ 526,366	\$ 431,486	\$ 363,680	\$ 226,103	\$ 332,994	\$ 76,654	\$ (101,377)	\$ 208,531
Town's covered payroll **	\$ 1,005,671	\$ 1,106,860	\$ 1,047,647	\$ 1,016,940	\$ 944,364	\$ 863,885	\$ 662,272	\$ 635,929	\$ 833,693
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.48%	47.55%	41.19%	35.76%	23.94%	38.55%	11.57%	(15.94%)	25.01%
Plan fiduciary net position as a percentage of the total pension liability***	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Notes to the Schedule:**

\* - This schedule will build to ten years of information as the data becomes available.

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

\*\*\* - Source: The State of North Carolina Annual Comprehensive Financial Report.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM –**  
**SCHEDULE OF CONTRIBUTIONS**

SCHEDULE A-2

*LAST NINE FISCAL YEARS\**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 128,069	\$ 105,535	\$ 103,367	\$ 85,168	\$ 79,937	\$ 72,018	\$ 59,647	\$ 64,565	\$ 64,118
Contributions in relation to the contractually required contribution **	128,069	105,535	103,367	85,168	79,937	72,018	59,647	64,565	64,118
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,091,464	\$ 1,005,671	\$ 1,106,860	\$ 1,047,647	\$ 1,016,940	\$ 944,364	\$ 863,885	\$ 662,272	\$ 635,929
Contributions as a percentage of covered payroll	11.73%	10.49%	9.34%	8.13%	7.86%	7.63%	6.90%	9.75%	10.08%

**Notes to the Schedule:**

\* - This schedule will build to ten years of information as the data becomes available.

\*\* - Current year contributions are reported as deferred inflows of resources.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE –**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

SCHEDULE A-3

*LAST SIX YEARS\**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 498,327	\$ 338,789	\$ 255,094	\$ 279,924	\$ 259,545	\$ 243,187
Service cost	24,769	19,023	17,431	14,871	12,814	14,779
Interest on the total pension liability	9,458	10,922	9,285	8,846	10,018	8,682
Changes of assumptions or other inputs	(13,249)	133,148	10,689	(10,039)	17,718	(7,103)
Differences between the expected and actual experience in the measurement of the total pension liability	981	3,974	46,290	(38,508)	(20,171)	-
Benefit payments	(16,544)	(7,529)	-	-	-	-
Ending balance of the total pension liability **	<u>\$ 503,742</u>	<u>\$ 498,327</u>	<u>\$ 338,789</u>	<u>\$ 255,094</u>	<u>\$ 279,924</u>	<u>\$ 259,545</u>

**Notes to the Schedule:**

\* - This schedule will build to ten years of information as the data becomes available.

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

## REQUIRED SUPPLEMENTARY INFORMATION

## LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE –

## SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

*LAST SIX YEARS\**


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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability **	\$ 503,742	\$ 498,327	\$ 338,789	\$ 255,094	\$ 279,924	\$ 259,545
Covered payroll	\$ 475,448	\$ 587,348	\$ 578,404	\$ 475,714	\$ 470,877	\$ 545,106
Total pension liability as a percentage of covered payroll	105.95%	84.84%	58.57%	53.62%	59.45%	47.61%

**Notes to the Schedule:**

\* - This schedule will build to ten years of information as the data becomes available.

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**RETIREE INSURANCE ALLOWANCE PLAN –**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

SCHEDULE A-5

*LAST SIX YEARS\**

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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,333,036	\$ 1,683,370	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373	\$ 1,358,866
Service cost	59,293	60,212	54,785	61,552	49,771	52,356
Interest on the total pension liability	44,802	54,670	59,268	53,145	52,766	48,361
Changes of assumptions or other inputs	(116,354)	547,522	3,014	(159,466)	231,640	(79,792)
Differences between the expected and actual experience in the measurement of the total pension liability	(13,473)	-	(57,591)	-	(10,550)	-
Benefit payments	<u>(23,412)</u>	<u>(12,738)</u>	<u>(8,697)</u>	<u>(8,866)</u>	<u>(8,774)</u>	<u>(8,418)</u>
Ending balance of the total pension liability**	<u>\$ 2,283,892</u>	<u>\$ 2,333,036</u>	<u>\$ 1,683,370</u>	<u>\$ 1,632,591</u>	<u>\$ 1,686,226</u>	<u>\$ 1,371,373</u>

**Notes to the Schedule:**

\* - This schedule will build to ten years of information as the data becomes available.

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

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

## REQUIRED SUPPLEMENTARY INFORMATION

## RETIREE INSURANCE ALLOWANCE PLAN –

## SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

*LAST SIX YEARS\**


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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability**	\$ 2,283,892	\$ 2,333,036	\$ 1,683,370	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373
Covered payroll	\$ 1,002,572	\$ 992,128	\$ 990,652	\$ 997,909	\$ 997,909	\$ 770,234
Total pension liability as a percentage of covered payroll	227.80%	235.15%	169.93%	163.60%	168.98%	178.05%

**Notes to the Schedule:**

\* - This schedule will build to ten years of information as the data becomes available.

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

**TOWN OF TAYLORSVILLE**

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

SCHEDULE 1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET TO ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2021)

	2022		Variance	2021
	Final		Positive	
	Budget	Actual	(Negative)	Actual
<b>REVENUES</b>				
Ad valorem taxes:				
Taxes	\$ 742,000	\$ 783,213	\$ 41,213	\$ 768,886
Penalties and interest	4,000	4,607	607	4,706
Total	746,000	787,820	41,820	773,592
Unrestricted intergovernmental:				
Local option sales tax	339,800	685,307	345,507	560,269
Franchise tax	97,000	136,233	39,233	135,042
Telecommunications tax	45,000	28,443	(16,557)	34,172
Beer and wine tax	11,000	-	(11,000)	8,875
Sales tax refund	17,500	-	(17,500)	39,778
Gasoline tax refunds	2,500	2,880	380	2,360
ABC profit distributions	48,500	146,294	97,794	93,309
Hold harmless	180,000	261,164	81,164	210,638
Solid waste disposal tax	-	1,736	1,736	1,581
Total	741,300	1,262,057	520,757	1,086,024
Restricted intergovernmental:				
State and federal grants	401,117	67,919	(333,198)	182,474
Powell Bill allocation	51,914	68,944	17,030	55,081
Other	-	31,063	31,063	2,027
Total	453,031	167,926	(285,105)	239,582
Sales and services:				
Cemetery plots	9,000	18,000	9,000	7,485
Cemetery - other income	9,500	11,625	2,125	10,725
Lease revenue	28,700	27,384	(1,316)	30,000
Total	47,200	57,009	9,809	48,210
Investment earnings	600	13,784	13,184	18,511
Miscellaneous:				
Environmental green fee	136,000	156,835	20,835	149,507
Building rent	20,900	22,874	1,974	22,906
Resource officer reimbursement	102,000	126,438	24,438	103,217
Cable franchise revenue	28,000	30,998	2,998	29,360
Insurance reimbursement	10,446	9,582	(864)	10,304
Other	18,691	20,810	2,119	22,766
Total	316,037	367,537	51,500	338,060
Total revenues	2,304,168	2,656,133	351,965	2,503,979

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

SCHEDULE 1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2021)

	2022		Variance	2021
	Final Budget	Actual	Positive (Negative)	Actual
<b>EXPENDITURES</b>				
General Government:				
Town Council	\$ 62,059	\$ 58,623	\$ 3,436	\$ 59,734
Administration	365,400	349,295	16,105	328,588
Utility service fee from Enterprise Fund	(150,000)	(75,000)	(75,000)	(125,100)
Contingency	-	-	-	-
Public buildings	32,812	26,722	6,090	28,290
Total	310,271	359,640	(49,369)	291,512
Public Safety:				
Police department	1,215,491	1,190,486	25,005	1,039,857
Fire department	67,000	67,000	-	71,900
Alexander County Rescue and EMS	4,500	4,500	-	3,500
Other	29,000	26,280	2,720	35,346
Total	1,315,991	1,288,266	27,725	1,150,603
Streets and Public Works:				
Street and sanitation	532,020	385,419	146,601	428,562
Other Operations:				
Cemetery	7,900	5,991	1,909	6,231
Cultural and Recreational:				
Recreation	34,950	33,844	1,106	36,928
Capital Outlay:				
Public safety	115,311	145,145	(29,834)	92,851
Streets and public works	120,000	120,000	-	1,000
Total	235,311	265,145	(29,834)	93,851
Debt Service:				
Principal	-	16,190	(16,190)	-
Interest	-	129	(129)	-
Total	-	16,319	(16,319)	-
Total expenditures	2,436,443	2,354,624	81,819	2,007,687
Revenues over (under) expenditures	(132,275)	301,509	433,784	496,292

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

SCHEDULE 1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

*YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2021)*

	<b>2022</b>			<b>2021</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>Actual</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer from special revenue fund	\$ 26,775	\$ 26,775	\$ -	\$ -
Lease liability issued	-	52,773	52,773	-
Appropriated fund balance	105,500	-	(105,500)	-
Total	132,275	79,548	(52,727)	-
Revenues and other financing sources over expenditures	\$ -	381,057	\$ 381,057	496,292
Fund balances, beginning		1,749,860		1,253,568
Fund balances, ending		\$ 2,130,917		\$ 1,749,860

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET TO ACTUAL – GRANT PROJECT FUND**  
**MAJOR FUND - AMERICAN RESCUE PLAN ACT FUND**

SCHEDULE 2

*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022*

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES</b>					
Unrestricted intergovernmental:					
American Rescue Plan Act	\$ 384,834	\$ -	\$ 40,800	\$ 40,800	\$ (344,034)
<b>OTHER FINANCING SOURCES</b>					
Transfer to other funds	(384,834)	-	(40,800)	(40,800)	344,034
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ -</u>		

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) –**  
**WATER AND SEWER FUND**

SCHEDULE 3

YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2021)

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating Revenues:				
Charges for services:				
Water and sewer	\$ 2,265,600	\$ 2,067,027	\$ (198,573)	2,051,676
Capital reserve	175,000	216,039	41,039	153,345
Penalties and interest	21,000	24,817	3,817	22,829
Water and sewer taps	5,000	9,250	4,250	8,250
Reconnection fees	3,500	6,717	3,217	560
Other operating revenues	21,820	23,451	1,631	14,173
Total operating revenues	2,491,920	2,347,301	(144,619)	2,250,833
Nonoperating Revenues:				
Restricted intergovernmental:				
Federal Grant	83,476	83,475	(1)	-
Investment earnings	850	13	(837)	230
Sales of fixed assets	-	1,033	1,033	-
Contributions	-	15,000	15,000	15,000
Total nonoperating revenues	84,326	99,521	15,195	15,230
Total revenues	2,576,246	2,446,822	(129,424)	2,266,063
<b>EXPENDITURES</b>				
Operations	2,269,995	1,915,437	354,558	1,978,387
Utility service fee to General Fund	150,000	75,000	75,000	125,100
Capital outlay	84,699	47,599	37,100	65,441
Debt service:				
Principal repayments	326,325	322,927	3,398	316,461
Interest expense	86,018	12,545	73,473	14,349
Total Expenditures	2,917,037	2,373,508	543,529	2,499,738
Revenues under expenditures	(340,791)	73,314	414,105	(233,675)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) water/sewer capital project fund	(19,568)	(115,994)	(96,426)	-
Transfer from special revenue fund	317,259	14,025	303,234	-
Lease liabilities issued	-	16,253	16,253	-
Appropriated fund balance	43,100	-	(43,100)	-
Total other financing sources (uses)	340,791	(85,716)	179,961	-
Revenues and other financing sources under expenditures	\$ -	\$ (12,402)	\$ 594,066	\$ (233,675)

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) –**  
**WATER AND SEWER FUND (CONTINUED)**

SCHEDULE 3

YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2021)

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Revenues and other financing sources under expenditures		\$ (12,402)		\$ (233,675)
Capital contributions from water/sewer capital projects		59,175		78,320
Capital outlay		31,346		65,441
Lease liability issued		(16,253)		
Right to use assets-leased assets		16,253		-
Transfer to water sewer capital project funds		115,994		-
Principal repayments		317,941		316,461
Lease principal payments		4,986		
Decrease in note receivable		-		(4,231)
Pension expense accrual adjustment - LGERS		20,495		(25,584)
Pension expense accrual adjustment - RIAP		(38,754)		(59,860)
(Increase) decrease in compensated absences		28,408		(13,024)
Depreciation and amortization		(758,736)		(614,550)
Change in net position		<u>\$ (231,547)</u>		<u>\$ (490,702)</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) – ENTERPRISE FUND CAPITAL PROJECT**  
**2015 WASTEWATER TREATMENT PLANT IMPROVEMENTS PROJECT**

SCHEDULE 4

*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>					
Restricted Intergovernmental:					
Appalachian Reginal Commission Grant	\$ 450,000	\$ 450,000	\$ -	\$ 450,000	\$ -
<b>EXPENDITURES</b>					
Construction	1,871,881	1,801,755	-	1,801,755	70,126
Engineering	127,133	127,133	-	127,133	-
Administration and legal	112,823	112,823	-	112,823	-
Total expenditures	<u>2,111,837</u>	<u>2,041,711</u>	<u>-</u>	<u>2,041,711</u>	<u>70,126</u>
Revenues under expenditures	<u>(1,661,837)</u>	<u>(1,591,711)</u>	<u>-</u>	<u>(1,591,711)</u>	<u>70,126</u>
<b>OTHER FINANCING SOURCES</b>					
Long-term debt issued	1,500,000	1,497,738	-	1,497,738	(2,262)
Transfer from Water/Sewer Fund	161,837	-	93,973	93,973	(67,864)
Total other financing sources	<u>1,661,837</u>	<u>1,497,738</u>	<u>93,973</u>	<u>1,591,711</u>	<u>(70,126)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (93,973)</u>	<u>\$ 93,973</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) – ENTERPRISE FUND CAPITAL PROJECT**  
**SEWER COLLECTION SYSTEM REHABILITATION PROJECT**

SCHEDULE 5

*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022*

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
Restricted Intergovernmental:					
Clean Water SRF grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
<b>EXPENDITURES</b>					
Construction	859,874	859,874	-	859,874	-
Engineering	130,237	130,237	-	130,237	-
Administration and legal	67,327	66,192	-	66,192	1,135
Total expenditures	1,057,438	1,056,303	-	1,056,303	1,135
Revenues under expenditures	(557,438)	(556,303)	-	(556,303)	1,135
<b>OTHER FINANCING SOURCES</b>					
Long-term debt issued	535,726	535,726	-	535,726	-
Transfer from Water/Sewer Fund	21,712	-	20,577	20,577	(1,135)
Total other financing sources	557,438	535,726	20,577	556,303	(1,135)
Revenues and other financing sources under expenditures	\$ -	\$ (20,577)	\$ 20,577	\$ -	\$ -

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) – ENTERPRISE FUND CAPITAL PROJECT**  
**LINNEY MOUNTAIN AREA WATER PROJECT**

SCHEDULE 6

*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>					
Restricted Intergovernmental:					
Clean Water SRF grant	\$ 74,100	\$ 63,825	\$ -	\$ 63,825	\$ (10,275)
<b>EXPENDITURES</b>					
Construction	273,249	247,610	-	247,610	25,639
Administration and legal	12,058	9,135		9,135	2,923
Contingency	11,093	-	-	-	11,093
Total expenditures	296,400	256,745	-	256,745	39,655
Revenues under expenditures	(222,300)	(192,920)	-	(192,920)	29,380
<b>OTHER FINANCING SOURCES</b>					
Long-term debt issued	222,300	191,476	-	191,476	(30,824)
Transfer from Water/Sewer Fund	-	-	1,444	1,444	1,444
Total other financing sources	222,300	191,476	1,444	192,920	(29,380)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (1,444)	\$ 1,444	\$ -	\$ -

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) – ENTERPRISE FUND CAPITAL PROJECT**  
**2019 WASTEWATER TREATMENT WATER PROJECT**

SCHEDULE 7

*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022*

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES</b>					
Restricted Intergovernmental:					
Clean Water SRF grant	\$ 125,000	\$ 65,825	59,175	\$ 125,000	\$ -
<b>EXPENDITURES</b>					
Construction and engineering	435,862	372,883	56,819	429,702	6,160
Administration and legal	18,384	17,874	849	18,723	(339)
Total expenditures	<u>454,246</u>	<u>390,757</u>	<u>57,668</u>	<u>448,425</u>	<u>5,821</u>
Revenues over (under) expenditures	<u>(329,246)</u>	<u>(324,932)</u>	<u>1,507</u>	<u>(323,425)</u>	<u>5,821</u>
<b>OTHER FINANCING SOURCES</b>					
Long-term debt issued	324,109	324,237	3,986	328,223	4,114
Transfer from Water/Sewer Fund	5,137	-	-	-	(5,137)
Total other financing sources	<u>329,246</u>	<u>324,237</u>	<u>3,986</u>	<u>328,223</u>	<u>(1,023)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (695)</u>	<u>\$ 5,493</u>	<u>\$ 4,798</u>	<u>\$ 4,798</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES –**  
**BUDGET TO ACTUAL (NON-GAAP) – ENTERPRISE FUND CAPITAL PROJECT**  
**WASTEWATER TREATMENT PLANT RENEWABLE WATER**

SCHEDULE 8

*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>EXPENDITURES</b>					
Construction and engineering	\$ 200,448	\$ 154,148	\$ 46,654	\$ 200,802	\$ (354)
Administration and legal	70,232	46,680	-	46,680	23,552
Contingency	9,044	-	-	-	9,044
Total expenditures	279,724	200,828	46,654	247,482	32,242
<b>OTHER FINANCING SOURCES</b>					
Long-term debt issued	255,054	71,394	148,291	219,685	(35,369)
Transfer from General Fund	5,102	-	-	-	(5,102)
Transfer from Water/Sewer Fund	19,568	-	-	-	(19,568)
Total other financing sources	279,724	71,394	148,291	219,685	(40,471)
Revenues and other financing sources under expenditures	\$ -	\$ (129,434)	\$ 101,637	\$ (27,797)	\$ (27,797)

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## **TOWN OF TAYLORSVILLE**

### **OTHER SCHEDULES**

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This section contains additional information required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable – General Fund
- Analysis of Current Tax Levy – Town-Wide Levy

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**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE – GENERAL FUND**

SCHEDULE 9

YEAR ENDED JUNE 30, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 788,020	\$ 771,171	\$ 16,849
2020-2021	16,598	-	9,013	7,585
2019-2020	5,971	-	1,199	4,772
2018-2019	5,150	-	821	4,329
2017-2018	4,858	-	860	3,998
2016-2017	3,200	-	1,067	2,133
2015-2016	2,603	-	710	1,893
2014-2015	2,410	-	740	1,670
2013-2014	1,570	-	407	1,163
2012-2013	1,328	-	1,328	-
2011-2012	1,386	-	1,386	-
	<u>\$ 45,074</u>	<u>\$ 788,020</u>	<u>\$ 788,702</u>	<u>44,392</u>
Less allowance for uncollectible accounts				<u>(29,804)</u>
Ad valorem taxes receivable, net				<u>\$ 14,588</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				<u>\$ 787,820</u>
Reconciling items:				
Penalties and interest				(4,607)
Miscellaneous adjustments				<u>5,489</u>
Total collections and credits				<u>\$ 788,702</u>

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY – TOWN-WIDE LEVY**

SCHEDULE 10

YEAR ENDED JUNE 30, 2022

	Town-Wide		Total Levy			
			Property excluding Registered Motor Vehicles	Registered Motor Vehicles		
	Property Valuation	Rate	Total Levy			
<b>ORIGINAL LEVY</b>						
Property tax	\$ 238,160,750	\$ 0.40	\$ 952,643	\$ 896,054	\$ 56,589	
Utilities	9,965,750	0.40	39,863	39,863	-	
Total original levy	248,126,500		992,506	935,917	56,589	
Discoveries:						
Penalties	170,500		682	682	-	
Total discoveries	170,500		682	682	-	
<b>RELEASES</b>						
Current year levy	183,500		734	734	-	
Senior citizens exemption refund	51,108,427		204,434	204,434	-	
Total abatements	51,291,927		205,168	205,168	-	
Total property valuation	<u>\$ 197,005,073</u>					
Net levy			788,020	731,431	56,589	
Uncollected taxes at June 30, 2022			(16,849)	(16,849)	-	
Current year's taxes collected			<u>\$ 771,171</u>	<u>\$ 714,582</u>	<u>\$ 56,589</u>	
Current levy collection percentage			<u>97.86%</u>	<u>97.70%</u>	<u>100.00%</u>	

**TOWN OF TAYLORSVILLE**

**COMPLIANCE SECTION**

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# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **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  
Taylorsville, 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, the business-type activities, and each major fund of the Town of Taylorsville, 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 Taylorsville's basic financial statements, and have issued our report thereon dated May 1, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Taylorsville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Taylorsville'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* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, as Findings 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Taylorsville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Findings 2022-002 and 2022-003.

## **Town of Taylorsville's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
May 1, 2024

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2022

### 1. Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

Yes

• Significant deficiency(ies) identified?

None reported

Non-compliance material to financial statements noted?

Yes

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2022

### 2. Findings Related to the Audit of the Basic Financial Statements

#### Material Weakness

##### **Finding 2022-001**

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

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments. Subsidiary ledgers including revenues and receivables and cash reconciliations were not prepared and balanced to the general ledger in a timely manner during the year. Internal controls over subsidiary ledger and bank reconciliations are critical.

**Effect:** Errors could occur in financial reporting. Financial reports used for budget monitoring throughout the year may not properly reflect account balances.

**Cause:** There are limited Town resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes. The general ledger was not reconciled to subsidiary ledgers on a regular basis, and year-end journal entries were not booked.

**Recommendation:** Management should examine the adjustments required as a result of our audit and assess the cost versus benefit of improving the internal control system to prevent the adjustments in the future, given the Town's available resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly. Management should put procedures in place to reconcile all subsidiary ledgers and bank accounts to the general ledger on a monthly basis.

**Name of Contact Person:** Aaron Wike, Town Manager

**Views of Responsible Officials and Corrective Action Plan:** Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2022

### 2. Findings Related to the Audit of the Basic Financial Statements (continued)

#### Material Weakness

#### Non-Compliance

#### **Finding 2022-002**

**Criteria:** N.C. General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year. Year-end closeout procedures should be performed timely and accurately to facilitate the timely preparation of the financial statements to meet established North Carolina Local Government Commission requirements.

**Condition:** The annual audit was delayed due to an investigation by the Office of the State Auditor. Also, it was noted that the Town Finance Department experienced significant delays in the year-end accounting and reporting process.

**Effect:** Delays of timely reporting and errors in financial reporting could occur. The Town will not meet the required reporting deadline.

**Cause:** An investigation by the Office of the State Auditor was being performed and delays in year-end closeout procedures.

**Recommendation:** We recommend the Town establish effective policies and controls around the year-end close process to ensure timeliness of financial reporting.

**Name of Contact Person:** Aaron Wike, Town Manager

**Views of Responsible Officials and Planned Corrective Actions:** The Town agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

# TOWN OF TAYLORSVILLE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2022

### 2. Findings Related to the Audit of the Basic Financial Statements (continued)

#### Material Weakness

#### Non-Compliance

#### **Finding 2022-003**

**Criteria:** The Town should adhere and follow its procurement policy. N.C. General Statute 159-28 requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act. The statutes require that funds be appropriated before incurring the obligation of funds and that amounts be pre-audited prior to the expenditure being made.

**Condition:** The Town purchased services from companies in which Town employees have a financial interest. For fiscal year ended June 30, 2023, actual expenditures exceeded the authorized appropriations made by the governing board for the General Fund for the following departments: General Government, Capital Outlay, and Debt Service.

**Effect:** The Town could not ensure that favoritism or preferential treatment was not present in the purchasing process. The County was in violation of North Carolina State Statutes.

**Cause:** The former Town Manager was responsible for obtaining the services for the Town but did not enforce the procurement policy. The County expended more than what had been appropriated because budget amendments were not made for those items.

**Recommendation:** Management should ensure internal controls and the procurement policies are followed. The Town should implement additional monitoring controls, such as reviewing monthly budget to actual reports and careful pre-audit of expenditures. Budget amendments should be adopted prior to expending funds that exceed budgeted amounts.

**Name of Contact Person:** Aaron Wike, Town Manager

**Views of Responsible Officials and Planned Corrective Actions:** The Town agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

**TOWN OF TAYLORSVILLE, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

None

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# *Town of Taylorsville*

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Taylorsville, North Carolina 28681

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## **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022**

### **Material Weakness**

#### **Finding 2022-001**

**Name of Contact Person: Aaron Wike, Interim Town Manager**

**Corrective Action: Management is aware of the weakness and has taken steps in order to correct the reconciliation process. Management has changed the billing date of water and sewer bills. By changing the billing date to the first day of the month versus the last day of the prior month, it has allowed for less payments in transit at month end. Management believes there may also be an internal software issue resulting in miscoding. The town plans to adopt a new software in 2024 in hopes for better reconciliation software and processes.**

**Proposed Completion Date: Immediately.**

### **Material Weakness**

#### **Non-Compliance**

#### **Finding 2022-002**

**Name of Contact Person: Aaron Wike, Interim Town Manager**

**Corrective Action: Due to the investigation by the Office of the State Auditor, the Town was delayed in completing and meeting the requirements of the 2022 yearly audit. Management is currently working with the Greg Isley financial group in order to get caught up on year-end adjustments and getting back on schedule with yearly audits.**

**Proposed Completion Date: Immediately.**

### **Material Weakness**

#### **Non-Compliance**

#### **Finding 2022-003**

**Name of Contact Person: Aaron Wike, Interim Town Manager**

**Corrective Action: The Town Board and staff responded by letter to the findings of the NCOSA on October 27, 2023. The town’s corrective measures were to ensure that all policies**

**in place were followed. The enforcement of these policies began when new management went into effect in April of 2023. Personnel proceedings took place due to the breach of the towns personnel, conflict of interest and ethics policies and resulted in the dismissal of 2 town employees. These policies when followed prevent personal interest of staff members, officers, and council members of the Town of Taylorsville from interfering with the performance of their duties to the Town of Taylorsville, or resulting in personal financial, professional, and/or political gain on the part of such persons at the expense of the Town of Taylorsville. We have now purchased a new vacuum truck and hired an employee to operate it as needed; therefore, there should not be a need to contract with Miller's Septic Service or any other service provider of this type in the future. We have also hired a Finance Director as another separate administrative position. The town manager no longer holds both positions in the towns administrative staff.**

**Proposed Completion Date: Immediately.**

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