

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2021

And Report of Independent Auditor

Mayor

George Holleman

Town Council

**Kenny Poole
Ronnie Robinette
Jack Simms
Kimberly Brown**

Town Manager

David Odom

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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 Financial Statements

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Taylorsville’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Taylorsville, North Carolina, as of June 30, 2021, 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.

Other Matters

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 Government 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 and Other 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 individual fund financial statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 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
November 19, 2021

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

JUNE 30, 2021

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

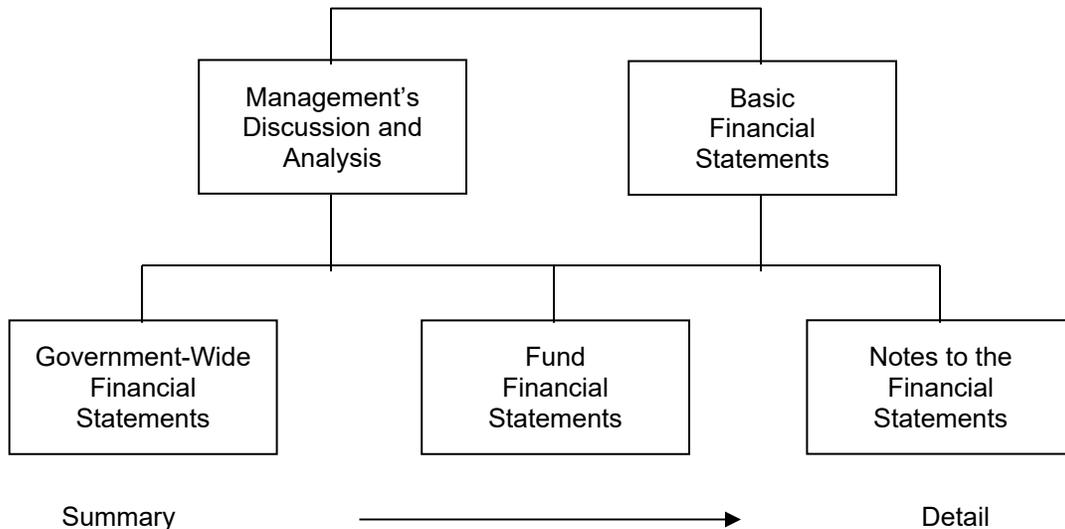
Financial Highlights

- The assets and deferred outflows of resources of the Town of Taylorsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,978,077. This represents the Town’s total net position and is comprised of governmental activities and business-type activities in the amounts of \$1,475,491 and \$11,502,586, respectively.
- The Town’s governmental activities increased by \$312,830, and business-type activities decreased by \$490,702 for an overall decrease in total net position of \$177,872.
- As of the close of the current fiscal year, the Town’s General Fund reported an ending fund balance of \$1,749,860 which is an increase of \$496,292 from last year. The restricted portion of fund balance was \$210,587.
- The unassigned portion of fund balance in the General Fund was \$1,539,273 which represents 77 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 increased by \$124,693 which was used to finance capital projects 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, 2021

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, 2021

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, 2021

Town of Taylorsville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 1,824,345	\$ 1,310,071	\$ 2,542,744	\$ 2,760,721	\$ 4,367,089	\$ 4,070,792
Capital assets, net	1,540,556	1,520,635	13,773,322	13,835,801	15,313,878	15,356,436
Total Assets	3,364,901	2,830,706	16,316,066	16,596,522	19,680,967	19,427,228
Total Deferred Outflows	697,487	290,188	285,403	125,305	982,890	415,493
Liabilities:						
Current liabilities	86,221	59,403	461,707	457,030	547,928	516,433
Other liabilities	2,385,876	1,736,945	5,055,600	4,209,361	7,441,476	5,946,306
Total Liabilities	2,472,097	1,796,348	5,517,307	4,666,391	7,989,404	6,462,739
Total Deferred Inflows	114,800	161,885	43,283	62,148	158,083	224,033
Net Position:						
Net investments in capital assets	1,540,556	1,520,635	9,825,641	10,012,813	11,366,197	11,533,448
Restricted	210,587	406,092	-	-	210,587	406,092
Unrestricted	(275,652)	(764,066)	1,676,945	1,980,475	1,401,293	1,216,409
Total Net Position	\$ 1,475,491	\$ 1,162,661	\$ 11,502,586	\$ 11,993,288	\$ 12,978,077	\$ 13,155,949

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 \$12,978,077 as of June 30, 2021. The Town's total net position decreased by \$177,872 for the fiscal year ended June 30, 2021. The largest portion of net position (87%) 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, 2021 was \$210,587 (2% of total net position). The remaining balance of \$1,401,293 (11% 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.
- Increased federal funding for relief from the pandemic.
- A decrease in expenses for governmental activities.

Negative influences:

- A decrease in operating revenue in the Water and Sewer Fund.
- Increased maintenance expenses in the Water and Sewer Fund caused by flood damage.
- Increases in long-term liabilities related to pensions (LGRS, LEOSSA, and the RIAP).

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

JUNE 30, 2021

Town of Taylorsville's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 323,840	\$ 317,158	\$ 2,246,602	\$ 2,405,282	\$ 2,570,442	\$ 2,722,440
Operating grants and contributions	239,582	224,167	15,000	-	254,582	224,167
Capital grants and contributions	-	-	78,320	103,349	78,320	103,349
General Revenues:						
Property taxes	774,009	753,620	-	-	774,009	753,620
Grants and contributions not restricted	1,086,024	948,086	-	-	1,086,024	948,086
Miscellaneous	62,430	57,347	-	-	62,430	57,347
Investment earnings, unrestricted	18,511	2,495	230	1,136	18,741	3,631
Total Revenues	2,504,396	2,302,873	2,340,152	2,509,767	4,844,548	4,812,640
Expenses:						
General government	365,294	331,475	-	-	365,294	331,475
Public safety	1,344,029	1,364,997	-	-	1,344,029	1,364,997
Streets and public works	435,706	469,307	-	-	435,706	469,307
Other operations	6,231	5,270	-	-	6,231	5,270
Cultural and recreational	40,306	33,763	-	-	40,306	33,763
Interest on long-term debt	-	95	-	-	-	95
Water and sewer	-	-	2,830,854	2,741,301	2,830,854	2,741,301
Total Expenses	2,191,566	2,204,907	2,830,854	2,741,301	5,022,420	4,946,208
Change in Net Position	312,830	97,966	(490,702)	(231,534)	(177,872)	(133,568)
Net position, July 1	1,162,661	1,064,695	11,993,288	12,224,822	13,155,949	13,289,517
Net position, June 30	<u>\$ 1,475,491</u>	<u>\$ 1,162,661</u>	<u>\$ 11,502,586</u>	<u>\$ 11,993,288</u>	<u>\$ 12,978,077</u>	<u>\$ 13,155,949</u>

Governmental Activities. Governmental activities increased the Town's net position by \$312,830. Key elements of this increase are as follows:

- A focused approach to providing essential services with fewer personnel contributed to a decrease in total expenses while total revenues increased.
- Sales tax and other unrestricted intergovernmental revenue increased \$137,938.
- The Town continued to receive federal funding for relief from the pandemic. This year's allocation was \$181,224 which is an increase of \$15,448.

Business-Type Activities. Business-type activities decreased the Town's net position by \$490,702. Key elements of this decrease are as follows:

- Charges for services related to water and sewer usage decreased \$158,680.

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

JUNE 30, 2021

- Expenses related to sewer maintenance increased \$217,164 as a result of flooding that occurred in November, 2020.

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 and the only active governmental fund in the current fiscal year. At the end of the current fiscal year, fund balance available for appropriation was \$1,560,682, while total fund balance was \$1,749,860. 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 78% of total General Fund expenditures, while total fund balance represents 87% 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 \$394,823, which is 22% 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 \$1,676,945. The total net position for the Water and Sewer Fund was \$11,502,586. 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, 2021 total \$15,313,878 (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.
- Addition of construction in progress relating to the Town's sewer system consisting of various improvements and upgrades, and significant repair and relining of existing collections system.
- One addition to buildings and various equipment for the Water and Sewer Fund.

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

JUNE 30, 2021

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 539,015	\$ 539,015	\$ 271,075	\$ 271,075	\$ 810,090	\$ 810,090
Buildings	1,100,843	1,100,843	152,945	139,025	1,253,788	1,239,868
Infrastructure	460,054	460,054	-	-	460,054	460,054
System	-	-	17,782,323	17,782,323	17,782,323	17,782,323
Vehicles and equipment	1,075,149	1,040,699	619,388	567,867	1,694,537	1,608,566
Water capacity	-	-	750,000	750,000	750,000	750,000
Construction in progress	-	-	3,946,346	3,459,716	3,946,346	3,459,716
	<u>3,175,061</u>	<u>3,140,611</u>	<u>23,522,077</u>	<u>22,970,006</u>	<u>26,697,138</u>	<u>26,110,617</u>
Accumulated depreciation and amortization	1,634,505	1,619,976	9,748,755	9,134,205	11,383,260	10,754,181
Total	<u>\$ 1,540,556</u>	<u>\$ 1,520,635</u>	<u>\$ 13,773,322</u>	<u>\$ 13,835,801</u>	<u>\$ 15,313,878</u>	<u>\$ 15,356,436</u>

Additional information on the Town's capital assets can be found in the notes to these financial statements at Note 2.A(4).

Long-Term Debt. As of June 30, 2021, the Town of Taylorsville had total notes payable outstanding of \$3,947,681, all of which is secured by assets of the Town.

Town of Taylorsville's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Net pension liability (LGERS)	\$ 342,138	\$ 280,466	\$ 184,228	\$ 151,020	\$ 526,366	\$ 431,486
Total pension liability (LEOSSA)	498,327	338,789	-	-	498,327	338,789
Total OPEB liability (RIAP)	1,516,473	1,098,006	816,563	585,364	2,333,036	1,683,370
Compensated absences	57,876	39,369	53,798	40,774	111,674	80,143
Direct borrowing and direct placement notes payable	-	-	3,947,681	3,822,987	3,947,681	3,822,987
Total	<u>\$ 2,414,814</u>	<u>\$ 1,756,630</u>	<u>\$ 5,002,270</u>	<u>\$ 4,600,145</u>	<u>\$ 7,417,084</u>	<u>\$ 6,356,775</u>

The Town of Taylorsville's total debt increased by \$1,060,308 (17%) during the past fiscal year.

This increase is primarily due to the increases in pension liabilities (LGERS, LEOSSA, and RIAP) accounting for \$909,084 of the total increase. Notes payable increased \$124,693 as the Town obtained financing via the State's Clean Water Revolving Loan Program for water and sewer capital projects. Compensated absences accounted for the remainder of the increase.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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 prevailed during the pandemic. One of the largest areas of growth has been ABC revenues as alcohol consumption has increased during 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 continue the rebuilding process since the flood of November 12, 2020 which claimed 13 lives in our area. The flood damage was significant and resulted in unplanned repairs to three lift stations, 2 sewer mains, and 3 washed out culverts with adjacent water mains, and sewer force mains impacted. 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, 2022

Governmental Activities. The General Fund is budgeted to have \$2,361,364 in revenues in fiscal year 2021-2022. 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 \$372,650 (approximately half) with the remainder to be distributed in the next fiscal year. 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 will likely remain very conservative regarding large expenditures and will continue to operate with four unfilled positions, two in the Police Department and two in Public Works. The Town will have to be mindful that water and sewer margins are very slim when depreciation is factored in. Even with rate increases exceeding five percent, we are simply not out of the woods financially. It should be noted that the pandemic has adversely effected the Town's largest customer (the Alexander Correctional Unit). The correctional facility closed its small honor grade camp and the larger medium closed custody camp seems to be at reduced capacity. A 20 percent reduction in their bill alone can reduce revenues in excess of \$225,000 annually.

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 plans 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 1,596,556	\$ 2,318,513	\$ 3,915,069
Property taxes receivable, net	17,202	-	17,202
Accounts receivable, net	-	127,523	127,523
Due from other governments	152,465	35,000	187,465
Other receivables	36,713	150	36,863
Notes receivable, current	-	4,231	4,231
Cash, restricted	21,409	2,318	23,727
Total Current Assets	<u>1,824,345</u>	<u>2,487,735</u>	<u>4,312,080</u>
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	539,015	4,128,155	4,667,170
Other capital assets, net	1,001,541	9,645,167	10,646,708
Capital Assets, net	<u>1,540,556</u>	<u>13,773,322</u>	<u>15,313,878</u>
Notes receivable	-	55,009	55,009
Total Assets	<u>3,364,901</u>	<u>16,316,066</u>	<u>19,680,967</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>697,487</u>	<u>285,403</u>	<u>982,890</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, 2021

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 57,283	\$ 51,012	\$ 108,295
Liabilities to be paid from restricted assets:			
Utility deposits	-	2,318	2,318
Compensated absences, current	28,938	26,899	55,837
Notes payable current	-	381,478	381,478
Total Current Liabilities	<u>86,221</u>	<u>461,707</u>	<u>547,928</u>

Long-Term Liabilities:

Net pension liability - LGERS	342,138	184,228	526,366
Total pension liability - LEOSSA	498,327	-	498,327
Total pension liability - RIAP	1,516,473	816,563	2,333,036
Compensated absences, noncurrent	28,938	26,899	55,837
Notes payable, noncurrent	-	3,566,203	3,566,203
Total Long-Term Liabilities	<u>2,385,876</u>	<u>4,593,893</u>	<u>6,979,769</u>
Total Liabilities	<u>2,472,097</u>	<u>5,055,600</u>	<u>7,527,697</u>

DEFERRED INFLOWS OF RESOURCES

	<u>114,800</u>	<u>43,283</u>	<u>158,083</u>
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NET POSITION

Net investment in capital assets	1,540,556	9,825,641	11,366,197
Restricted for:			
Stabilization by state statute	189,178	-	189,178
Restricted for streets	21,409	-	21,409
Unrestricted	(275,652)	1,676,945	1,401,293
Total Net Position	<u>\$ 1,475,491</u>	<u>\$ 11,502,586</u>	<u>\$ 12,978,077</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, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 365,294	\$ 202,413	\$ 181,224	\$ -	\$ 18,343	\$ -	\$ 18,343
Public safety	1,344,029	103,217	3,277	-	(1,237,535)	-	(1,237,535)
Streets and public works	435,706	-	55,081	-	(380,625)	-	(380,625)
Other operations	6,231	18,210	-	-	11,979	-	11,979
Cultural and recreation	40,306	-	-	-	(40,306)	-	(40,306)
Total governmental activities	2,191,566	323,840	239,582	-	(1,628,144)	-	(1,628,144)
Business-Type Activities:							
Water and sewer	2,830,854	2,246,602	15,000	78,320	-	(490,932)	(490,932)
Total primary government	\$ 5,022,420	\$ 2,570,442	\$ 254,582	\$ 78,320	(1,628,144)	(490,932)	(2,119,076)
General revenues:							
Ad valorem taxes					774,009	-	774,009
Grants and contributions not restricted to a specific program					1,086,024	-	1,086,024
Miscellaneous					62,430	-	62,430
Investment earnings, unrestricted					18,511	230	18,741
Total general revenues					1,940,974	230	1,941,204
Change in net position					312,830	(490,702)	(177,872)
Net position, beginning					1,162,661	11,993,288	13,155,949
Net position, ending					\$ 1,475,491	\$ 11,502,586	\$ 12,978,077

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, 2021

	General Fund
ASSETS	
Cash and investments	\$ 1,596,556
Property taxes receivable, net	17,202
Due from other governments	152,465
Other receivables	36,713
Cash, restricted	21,409
Total assets	<u>\$ 1,824,345</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 57,283</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable, net	<u>17,202</u>
FUND BALANCE	
Restricted:	
Stabilization by state statute	189,178
Restricted for streets	21,409
Unassigned	1,539,273
Total fund balance	<u>1,749,860</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,824,345</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balance	\$ 1,749,860
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,540,556
Deferred outflows of resources related to pensions are not reported in the funds.	697,487
Liabilities for earned revenues are considered deferred inflows of resources in fund statements.	17,202
Deferred inflows of resources related to pensions are not reported in the funds.	(114,800)
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	(342,138)
Total pension liability - LEOSSA	(498,327)
Total pension liability - RIAP	(1,516,473)
Compensated absences	(57,876)
Net position of governmental activities	<u>\$ 1,475,491</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, 2021*

	General Fund
REVENUES	
Ad valorem taxes	\$ 773,592
Unrestricted intergovernmental revenues	1,086,024
Restricted intergovernmental revenues	239,582
Sales and services	18,210
Investment earnings	18,511
Miscellaneous	368,060
Total Revenues	<u>2,503,979</u>
EXPENDITURES	
Current:	
General government	291,512
Public safety	1,150,603
Street and public works	429,562
Other operations	6,231
Culture and recreational	36,928
Capital outlay	92,851
Total Expenditures	<u>2,007,687</u>
Net change in fund balance	496,292
Fund balance, beginning	<u>1,253,568</u>
Fund balance, ending	<u><u>\$ 1,749,860</u></u>

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, 2021

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)	\$ 496,292
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	417
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 which were capitalized	92,851
Depreciation expense for governmental assets	(72,930)
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	(47,513)
Pension expense - LEOSSA	(37,515)
Pension expense - RIAP	(100,265)
Compensated absences	(18,507)
Total changes in net position of governmental activities	<u>\$ 312,830</u>

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

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 733,300	\$ 733,300	\$ 773,592	\$ 40,292
Unrestricted intergovernmental	671,000	671,000	1,086,024	415,024
Restricted intergovernmental	54,000	235,224	239,582	4,358
Sales and services	23,000	23,000	18,210	(4,790)
Investment earnings	900	900	18,511	17,611
Miscellaneous	313,475	323,779	368,060	44,281
Total Revenues	<u>1,795,675</u>	<u>1,987,203</u>	<u>2,503,979</u>	<u>516,776</u>
EXPENDITURES				
Current:				
General government	256,075	285,725	291,512	(5,787)
Public safety	1,138,050	1,284,020	1,150,603	133,417
Street and public works	367,350	448,945	429,562	19,383
Other operations	9,200	8,200	6,231	1,969
Cultural and recreational	25,000	37,150	36,928	222
Capital outlay	-	105,850	92,851	12,999
Total Expenditures	<u>1,795,675</u>	<u>2,169,890</u>	<u>2,007,687</u>	<u>162,203</u>
Revenues over (under) expenditures	-	(182,687)	496,292	678,979
OTHER FINANCING SOURCES				
Appropriated fund balance	-	182,687	-	(182,687)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	496,292	<u>\$ 496,292</u>
Fund balance, beginning			<u>1,253,568</u>	
Fund balance, ending			<u>\$ 1,749,860</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, 2021

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,318,513
Accounts receivable, net	127,523
Other receivable	150
Notes receivable, current	4,231
Due from other governments	35,000
Restricted cash and cash equivalents	2,318
Total current assets	<u>2,487,735</u>
Noncurrent Assets:	
Capital Assets:	
Land and construction in progress	4,128,155
Other capital assets, net	9,645,167
Total capital assets	<u>13,773,322</u>
Notes receivable	55,009
Total noncurrent assets	<u>13,828,331</u>
Total assets	<u>16,316,066</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>285,403</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	51,012
Liabilities to be paid from restricted assets:	
Utility deposits	2,318
Compensated absences - current	26,899
Notes payable, current	381,478
Total current liabilities	<u>461,707</u>
Noncurrent Liabilities:	
Notes payable, noncurrent	3,566,203
Net pension liability - LGERS	184,228
Total pension liability - RIAP	816,563
Compensated absences, noncurrent	26,899
Total noncurrent liabilities	<u>4,593,893</u>
Total liabilities	<u>5,055,600</u>
DEFERRED INFLOWS OF RESOURCES	<u>43,283</u>
NET POSITION	
Net investment in capital assets	9,825,641
Unrestricted	1,676,945
Total net position	<u>\$ 11,502,586</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, 2021

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 2,236,660
Other operating revenues	9,942
Total operating revenues	<u>2,246,602</u>
OPERATING EXPENSES	
Operations	2,201,955
Depreciation	614,550
Total operating expenses	<u>2,816,505</u>
Operating loss	<u>(569,903)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	230
Contributions	15,000
Interest expense	(14,349)
Net nonoperating revenue (expenses)	<u>881</u>
Loss before capital contributions	(569,022)
Capital contributions	<u>78,320</u>
Change in net position	(490,702)
Net position, beginning	11,993,288
Net position, ending	<u>\$ 11,502,586</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, 2021

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,488,685
Other operating cash receipts	14,173
Cash paid for goods and services	(1,505,108)
Cash paid to employees	(579,254)
Cash received from contributions	15,000
Net cash provided by operating activities	<u>433,496</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(556,853)
Proceeds from long-term debt	441,155
Principal paid on long-term debt	(316,461)
Interest paid on debt	(14,349)
Cash received from capital contributions	78,320
Net cash used by capital and related financing activities	<u>(368,188)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	230
Net increase in cash and cash equivalents	65,538
Cash and cash equivalents, beginning	2,255,293
Cash and cash equivalents, ending	<u>\$ 2,320,831</u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (569,903)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	614,550
Contributions	15,000
Changes in assets and liabilities:	
Decrease in accounts receivable	253,815
Decrease in due from other governments	25,469
Decrease in notes receivable	4,231
Increase in deferred outflows of resources	(160,098)
Decrease in accounts payable and accrued expenses	(6,344)
Decrease in customer deposits	(1,790)
Increase in net pension liability - LGERS	33,208
Increase in total pension liability - RIAP	231,199
Increase in compensated absences	13,024
Decrease in deferred inflows of resources	(18,865)
Net cash provided by operating activities	<u>\$ 433,496</u>

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

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TOWN OF TAYLORSVILLE

NOTES TO THE FINANCIAL STATEMENTS

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TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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 fund:

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021

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 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, and the Waste Water Treatment Plant Renewable Energy Project - Solar Farm 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, 2021

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(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The 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.

Town of Taylorsville Restricted Cash		
Governmental Activities:		
General Fund	Streets	\$ 21,409
Business-Type Activities		
Water and Sewer Fund	Utility deposits	<u>2,318</u>
Total restricted cash		<u>\$ 23,727</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2020.

5. Allowances for Doubtful Accounts

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

6. 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.

7. 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.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

8. 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 two items that meet this criteria – property taxes receivable and pension deferrals.

9. 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.

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.

10. 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.

11. 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Summary of significant accounting policies (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

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, 2021

Note 1—Summary of significant accounting policies (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	\$ 1,749,860
Less:	
Stabilization by state statute	(189,178)
Total available fund balance	<u>\$ 1,560,682</u>

12. 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.

13. 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.

14. Reclassifications

The preparation of financial statements in conformity with generally accepted accounting principles only requires a single year presentation in the accompanying basic financial statements. However, the Town has elected to present certain prior year financial information contained in required supplementary information and other financial information. Certain amounts reported in the prior year have been reclassified to conform with the current year's presentation.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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, 2021, the Town's deposits had a carrying amount of \$3,926,130 and a bank balance of \$3,977,551. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$3,477,551 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, 2021, 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 AAA-mf by Moody's Investors Service as of June 30, 2021.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

3. Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2021 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Other Receivables</u>	<u>Total</u>
Governmental Activities:					
General	\$ -	\$ 45,074	\$ 152,465	\$ 36,713	\$ 234,252
Allowance for doubtful accounts	-	(27,872)	-	-	(27,872)
Total governmental activities	<u>\$ -</u>	<u>\$ 17,202</u>	<u>\$ 152,465</u>	<u>\$ 36,713</u>	<u>\$ 206,380</u>
Business-Type Activities:					
Water and sewer	\$ 384,549	\$ -	\$ 35,000	\$ 150	\$ 419,699
Allowance for doubtful accounts	(257,026)	-	-	-	(257,026)
Total business-type activities	<u>\$ 127,523</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 150</u>	<u>\$ 162,673</u>

Due from other governments consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Sales tax refund	\$ 15,000	\$ 35,000
Local option sales tax	137,465	-
Total	<u>\$ 152,465</u>	<u>\$ 35,000</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

4. 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>
Governmental Activities:				
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	442,321	67,750	9,111	500,960
Vehicles	598,378	25,101	49,290	574,189
Total depreciable assets	<u>2,601,596</u>	<u>92,851</u>	<u>58,401</u>	<u>2,636,046</u>
Less Accumulated Depreciation:				
Building and improvements	577,395	28,275	-	605,670
Infrastructure	64,222	10,224	-	74,446
Equipment	427,277	12,573	9,111	430,739
Vehicles	551,082	21,858	49,290	523,650
Total accumulated depreciation	<u>1,619,976</u>	<u>72,930</u>	<u>58,401</u>	<u>1,634,505</u>
Governmental activities capital assets, net	<u>\$ 1,520,635</u>	<u>\$ 19,921</u>	<u>\$ -</u>	<u>\$ 1,540,556</u>

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

Governmental Activities:	
General government	\$ 31,286
Public safety	32,122
Public works	6,144
Cultural and recreational	3,378
Total	<u>\$ 72,930</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

5. Proprietary Capital Assets

The capital assets of the Proprietary Fund of the Town at June 30, 2021 were as follows

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
By Asset Type:				
Non-Depreciable Assets:				
Land	\$ 181,809	\$ -	\$ -	\$ 181,809
Construction in progress	3,459,716	486,630	-	3,946,346
Total non-depreciable assets	<u>3,641,525</u>	<u>486,630</u>	<u>-</u>	<u>4,128,155</u>
Depreciable and Amortizable Assets:				
Land improvements	89,266	-	-	89,266
Water and sewer pumps and lines	17,782,323	-	-	17,782,323
Building	139,025	13,920	-	152,945
Vehicles	145,274	-	-	145,274
Equipment	422,593	51,521	-	474,114
Water capacity	750,000	-	-	750,000
Total depreciable and amortizable assets	<u>19,328,481</u>	<u>65,441</u>	<u>-</u>	<u>19,393,922</u>
Less Accumulated Depreciation:				
Land improvements	65,965	1,378	-	67,343
Water and sewer pumps and lines	8,227,517	555,510	-	8,783,027
Building	77,393	8,686	-	86,079
Vehicles	135,905	3,994	-	139,899
Equipment	287,842	22,065	-	309,907
Water capacity	339,583	22,917	-	362,500
Total accumulated depreciation	<u>9,134,205</u>	<u>614,550</u>	<u>-</u>	<u>9,748,755</u>
Business-type activities capital assets, net	<u>\$ 13,835,801</u>	<u>\$ (62,479)</u>	<u>\$ -</u>	<u>\$ 13,773,322</u>

6. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 1,540,556	\$ 13,773,322
Long-term debt	-	(3,947,681)
Net investment in capital assets	<u>\$ 1,540,556</u>	<u>\$ 9,825,641</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

B. Liabilities

1. Payables

Payables at Exhibit A at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 47,842	\$ 9,441	\$ 57,283
Business-Type Activities:			
Water and sewer	\$ 47,745	\$ 3,267	\$ 51,012

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.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

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, 2021 was 10.90% of compensation for law enforcement officers and 10.15% 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 \$105,535 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$526,366 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.01473%, which was an decrease of 0.00107% from its proportion measured as of June 30, 2019.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$178,632. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,471	\$ -
Changes of assumptions	39,172	-
Net difference between projected and actual earnings on pension plan investments	74,071	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,103	6,721
Town contributions subsequent to the measurement date	105,535	-
Total	<u>\$ 292,352</u>	<u>\$ 6,721</u>

The \$105,535 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, 2022. 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,

2022	\$ 50,871
2023	68,471
2024	38,833
2025	21,921
Total	<u>\$ 180,096</u>

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

Inflation	3%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7%, net of pension plan investment expense, including inflation

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

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Town's proportionate share of the net pension liability	<u>\$ 1,067,939</u>	<u>\$ 526,366</u>	<u>\$ 76,280</u>

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, 2019, the Separation Allowance’s membership consisted of:

Retirees and beneficiaries currently receiving benefits	0
Current employees	<u>13</u>
Total	<u><u>13</u></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, 2021

Note 2—Detail notes on all funds (continued)

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2019 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	1.93%

The discount rate used to measure the TPL is 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 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 \$7,529 as benefits came due for the reporting period.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

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

At June 30, 2021, the Town reported a total pension liability of \$498,327. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$58,031.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,928	\$ 27,504
Changes of assumptions and other inputs	124,201	6,911
Benefit payments and administrative expenses subsequent to the measurement date	8,323	-
Total	<u>\$ 167,452</u>	<u>\$ 34,415</u>

\$8,323 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. 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,

2022	\$ 23,422
2023	23,809
2024	24,692
2025	31,400
2026	21,391
Total	<u>\$ 124,714</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 1.93 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 541,429</u>	<u>\$ 498,327</u>	<u>\$ 459,251</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

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

Balance at June 30, 2020	<u>\$</u>	<u>338,789</u>
Changes for the year:		
Service cost		19,023
Interest		10,922
Difference between expected and actual experience		3,974
Changes of assumptions or other inputs		133,148
Benefit payments		<u>(7,529)</u>
Net change in total pension liability		<u>159,538</u>
Balance at June 30, 2021	<u>\$</u>	<u>498,327</u>

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, 2019 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 \$28,347. No amounts were forfeited.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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.

Years of Service at Retirement	Minimum Age	Pre-65 Contribution Percentage	Post-65 Contribution Percentage
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.

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

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

At December 31, 2019, the Retirement Insurance Allowance Plan membership consisted of:

Retirees receiving benefits	2
Active plan members	23
Total	<u>25</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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, 2019 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	1.93%
Medical trend rates	Pre-Medicare - 7.00% Post-Medicare - 5.00%
Ultimate trend date	2027

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

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 \$12,738 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, 2021, the Town reported a total pension liability of \$2,333,036. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. For the year ended June 30, 2021, the Town recognized pension expense of \$184,352.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 45,425
Changes of assumptions and other inputs	512,037	71,522
Benefit payments and administrative expenses subsequent to the measurement date	11,049	-
Total	<u>\$ 523,086</u>	<u>\$ 116,947</u>

\$11,049 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, 2022. 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,

2022	\$ 49,045
2023	40,217
2024	64,533
2025	64,533
2026	64,533
Thereafter	112,229
Total	<u>\$ 395,090</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as the Town's total pension liability would be if it were calculated using a discount that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 2,900,733</u>	<u>\$ 2,333,036</u>	<u>\$ 1,906,945</u>

Schedule of Changes in Total Pension Liability
Retiree Insurance Allowance Plan

	Total RIAP Liability
Balance at June 30, 2020	<u>\$ 1,683,370</u>
Changes for the year:	
Service cost	60,212
Interest	54,670
Changes of assumptions and other inputs	547,522
Benefit payments	<u>(12,738)</u>
Net change in total pension liability	<u>649,666</u>
Balance at June 30, 2021	<u>\$ 2,333,036</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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	\$ 58,031	\$ 178,632	\$ 184,352	\$ 421,015
Pension liability	498,327	526,366	2,333,036	3,357,729
Proportionate share of the net position liability	N/A	0.01473%	N/A	-
Deferred Outflows of Resources:				
Difference between expected and actual experience	\$ 34,928	\$ 66,471	\$ -	\$ 101,399
Changes of assumptions and other inputs	124,201	39,172	512,037	675,410
Net difference between projected and actual earnings on pension plan investments	-	74,071	-	74,071
Changes in proportion and differences between contributions and proportionate share of contributions	-	7,103	-	7,103
Benefit payments and administrative cost paid subsequent to the measurement date	8,323	105,535	11,049	124,907
Total deferred outflows of resources	<u>\$ 167,452</u>	<u>\$ 292,352</u>	<u>\$ 523,086</u>	<u>\$ 982,890</u>
Deferred Inflows of Resources:				
Difference between expected and actual experience	\$ 27,504	\$ -	\$ 45,425	\$ 72,929
Changes of assumptions and other inputs	6,911	-	71,522	78,433
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,721	-	6,721
Total deferred inflows of resources	<u>\$ 34,415</u>	<u>\$ 6,721</u>	<u>\$ 116,947</u>	<u>\$ 158,083</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 determined as a percentage of monthly payroll based upon rates established annually by the state. The Town considers these contributions to be immaterial.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Detail notes on all funds (continued)

3. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>
Governmental Activities:	
LEOSSA	\$ 167,452
LGERS	190,029
RIAP	340,006
Total governmental activities	<u>\$ 697,487</u>
Business-Type Activities:	
LGER	\$ 102,323
RIAP	183,080
Total business-type activities	<u>\$ 285,403</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Governmental Activities:		
Taxes receivable, net	\$ -	\$ 17,202
LEOSSA	34,415	-
LGERS	4,369	-
RIAP	76,016	-
Total governmental activities	<u>\$ 114,800</u>	<u>\$ 17,202</u>
Business-Type Activities:		
LGER	\$ 2,352	
RIAP	40,931	
Total business-type activities	<u>\$ 43,283</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, 2021

Note 2—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. Notes Payable

Business-Type Activities:

\$1,196,868 payable to Energy United issued June 2007, interest at 2.30% payable in annual installments of \$79,304, including interest, beginning June 2007, with a final payment due in fiscal year 2027, secured by water interconnect and rights to water capacity	\$ 386,272
\$345,952 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 2024, secured by asset being constructed with proceeds from the loan.	301,775
\$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	227,227
\$101,467 payable to NCDENR issued September 2009, interest at -0-% Federal Revolving Loan, beginning May 2011, payable in annual installments of \$5,100, with a final payment due in fiscal year 2030	45,647
\$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	206,803
\$307,736 payable to NCDENR issued September 2012, interest at -0-% Federal Revolving Loan, beginning May 2016, due in annual installments of \$14,750, with a final payment due in fiscal year 2035	215,414
\$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 2029	1,273,077

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—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	\$ 455,367
\$71,394 payable to NCDENR issued June 2019, interest at -0-% Federal Revolving Loan, beginning May 2020, due in annual installments of \$3,564, with a final payment due in fiscal year 2040	58,948
\$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	595,249
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.	181,902
	<u>\$ 3,947,681</u>

The Town's outstanding note from direct borrowing related to business-type activities of \$386,272 is secured with an intangible asset. The Town's outstanding note from direct borrowing related to business-type activities of \$386,272 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 \$386,272) 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, 2021

Note 2—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>
2022	\$ 381,478	\$ 12,505	\$ 393,983
2023	383,013	10,642	393,655
2024	384,570	8,723	393,293
2025	386,189	6,759	392,948
2026	387,833	4,770	392,603
2027-2031	1,359,510	9,067	1,368,577
2032-2036	530,426	1,034	531,460
2037-2040	134,662	-	134,662
Total	<u>\$ 3,947,681</u>	<u>\$ 53,500</u>	<u>\$ 4,001,181</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>
Governmental Activities:					
Net pension liability (LGERS)	\$ 280,466	\$ 61,672	\$ -	\$ 342,138	\$ -
Total pension liability (LEOSSA)	338,789	159,538	-	498,327	-
Total pension liability (RIAP)	1,098,006	418,467	-	1,516,473	-
Accrued vacation pay	39,369	55,035	36,528	57,876	28,938
Total	<u>\$ 1,756,630</u>	<u>\$ 694,712</u>	<u>\$ 36,528</u>	<u>\$ 2,414,814</u>	<u>\$ 28,938</u>
Business-Type Activities:					
Direct borrowing notes payable	\$ 3,822,987	\$ 441,155	\$ 316,461	\$ 3,947,681	\$ 381,478
Net pension liability (LGERS)	151,020	33,208	-	184,228	-
Total pension liability (RIAP)	585,364	231,199	-	816,563	-
Accrued vacation pay	40,774	32,462	19,438	53,798	26,899
Total	<u>\$ 4,600,145</u>	<u>\$ 738,024</u>	<u>\$ 335,899</u>	<u>\$ 5,002,270</u>	<u>\$ 408,377</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, 2021, the Town had a legal debt margin of approximately \$15,523,000.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 3—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 \$3,314 for membership fees and \$4,624 for contracted services to the Council during the fiscal year ended June 30, 2021.

Note 4—Summary disclosure of significant contingencies

A. Construction Commitments

The government has several active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Business-Type Activities:		
2015 Waste Water Treatment Plant Improvement Project	\$ 2,041,711	\$ 70,126
Sewer Collection System Rehabilitation Project	1,056,303	1,135
Linney Mountain Area Water Project	212,922	39,655
2019 Waste Water Treatment Plant Improvement Project	390,759	58,509
Waste Water Treatment Plant Renewable Energy Project	200,828	59,328
	<u>\$ 3,902,523</u>	<u>\$ 228,753</u>
Total		

B. 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.

C. Coronavirus Disease

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

Note 5—Subsequent Event

A. American Rescue Plan Act

On March 11, 2021, the *American Rescue Plan Act* ("ARPA") was signed into law. This new law expands benefits during the Coronavirus (COVID-19) pandemic. As a result, the Town received \$334,034 on August 2, 2021 which represents half of its total allotment. The Town expects to receive the remaining amount within the next 12 months.

TOWN OF TAYLORSVILLE

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Local Government Employees' Retirement System – Schedule of the Proportionate Share of Net Pension Liability (Asset)
- Local Government 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 GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	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) (\$)	\$ 526,366	\$ 431,486	\$ 363,680	\$ 226,103	\$ 332,994	\$ 76,654	\$ (101,377)	\$ 208,531
Town's covered payroll **	\$ 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	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***	90.86%	91.63%	94.18%	91.47%	98.09%	99.07%	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 GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF CONTRIBUTIONS

SCHEDULE A-2

*LAST EIGHT FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 105,535	\$ 103,367	\$ 85,168	\$ 79,937	\$ 72,018	\$ 59,647	\$ 64,565	\$ 64,118
Contributions in relation to the contractually required contribution **	105,535	103,367	85,168	79,937	72,018	59,647	64,565	64,118
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 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	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 FIVE YEARS*

	2021	2020	2019	2018	2017
Beginning balance	\$ 338,789	\$ 255,094	\$ 279,924	\$ 259,545	\$ 243,187
Service cost	19,023	17,431	14,871	12,814	14,779
Interest on the total pension liability	10,922	9,285	8,846	10,018	8,682
Changes of assumptions or other inputs	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	3,974	46,290	(38,508)	(20,171)	-
Benefit payments	(7,529)	-	-	-	-
Ending balance of the total pension liability **	<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 FIVE YEARS**

	2021	2020	2019	2018	2017
Total pension liability **	\$ 498,327	\$ 338,789	\$ 255,094	\$ 279,924	\$ 259,545
Covered payroll	\$ 587,348	\$ 578,404	\$ 475,714	\$ 470,877	\$ 545,106
Total pension liability as a percentage of covered payroll	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 FIVE YEARS*

	2021	2020	2019	2018	2017
Beginning balance	\$ 1,683,370	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373	\$ 1,358,866
Service cost	60,212	54,785	61,552	49,771	52,356
Interest on the total pension liability	54,670	59,268	53,145	52,766	48,361
Changes of assumptions or other inputs	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	-	(57,591)	-	(10,550)	-
Benefit payments	(12,738)	(8,697)	(8,866)	(8,774)	(8,418)
Ending balance of the total pension liability**	<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 FIVE YEARS*

	2021	2020	2019	2018	2017
Total pension liability**	\$ 2,333,036	\$ 1,683,370	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373
Covered payroll	\$ 992,128	\$ 990,652	\$ 997,909	\$ 997,909	\$ 770,234
Total pension liability as a percentage of covered payroll	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, 2021 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2020)

	2021		Variance Positive (Negative)	2020
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes:				
Taxes	\$ 728,300	\$ 768,886	\$ 40,586	\$ 754,781
Penalties and interest	5,000	4,706	(294)	5,069
Total	733,300	773,592	40,292	759,850
Unrestricted intergovernmental:				
Local option sales tax	314,000	560,269	246,269	483,105
Franchise tax	86,000	135,042	49,042	132,661
Telecommunications tax	50,000	34,172	(15,828)	50,781
Beer and wine tax	11,000	8,875	(2,125)	9,166
Sales tax refund	15,000	39,778	24,778	34,429
Gasoline tax refunds	3,000	2,360	(640)	2,298
ABC profit distributions	28,000	93,309	65,309	42,696
Hold harmless	164,000	210,638	46,638	191,325
Solid waste disposal tax	-	1,581	1,581	1,625
Total	671,000	1,086,024	415,024	948,086
Restricted intergovernmental:				
State and federal grants	181,224	182,474	1,250	165,776
Powell Bill allocation	54,000	55,081	1,081	58,276
Other	-	2,027	2,027	115
Total	235,224	239,582	4,358	224,167
Sales and services:				
Cemetery plots	13,500	7,485	(6,015)	11,100
Cemetery - other income	9,500	10,725	1,225	12,200
Total	23,000	18,210	(4,790)	23,300
Investment earnings	900	18,511	17,611	2,495
Miscellaneous:				
Environmental green fee	135,975	149,507	13,532	139,776
Building rent	49,600	52,906	3,306	54,475
Resource office reimbursement	96,000	103,217	7,217	99,607
Cable franchise revenue	28,000	29,360	1,360	32,413
Insurance reimbursement	10,304	10,304	-	10,206
Other	3,900	22,766	18,866	14,728
Total	323,779	368,060	44,281	351,205
Total revenues	1,987,203	2,503,979	516,776	2,309,103

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, 2021 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2020)

	2021		Variance Positive (Negative)	2020
	Final Budget	Actual		Actual
EXPENDITURES				
General Government:				
Town Council	\$ 61,200	\$ 59,734	\$ 1,466	\$ 51,605
Administration	337,625	328,588	9,037	320,972
Utility service fee from Enterprise Fund	(150,000)	(125,100)	(24,900)	(150,000)
Contingency	-	-	-	-
Public buildings	36,900	28,290	8,610	61,323
Total	285,725	291,512	(5,787)	283,900
Public Safety:				
Police department	1,172,020	1,039,857	132,163	1,100,198
Fire department	72,000	71,900	100	75,900
Alexander County Rescue and EMS	3,500	3,500	-	3,500
Other	36,500	35,346	1,154	30,269
Total	1,284,020	1,150,603	133,417	1,209,867
Streets and Public Works:				
Street and sanitation	448,945	429,562	19,383	443,957
Other Operations:				
Cemetery	8,200	6,231	1,969	5,270
Cultural and Recreational:				
Recreation	37,150	36,928	222	29,817
Capital Outlay:				
Public safety	105,850	92,851	12,999	-
Total	105,850	92,851	12,999	-
Debt Service:				
Principal	-	-	-	29,206
Interest	-	-	-	95
Total	-	-	-	29,301
Total expenditures	2,169,890	2,007,687	162,203	2,002,112
Revenues over (under) expenditures	(182,687)	496,292	678,979	306,991

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, 2021 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2020)

OTHER FINANCING SOURCES

Appropriated fund balance	\$ 182,687	\$ -	\$ (182,687)	\$ -
Total	<u>182,687</u>	<u>-</u>	<u>(182,687)</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	496,292	<u>\$ 496,292</u>	306,991
Fund balances, beginning		<u>1,253,568</u>		<u>946,577</u>
Fund balances, ending		<u>\$ 1,749,860</u>		<u>\$ 1,253,568</u>

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

SCHEDULE 2

YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2020)

	2021		Variance Positive (Negative)	2020
	Budget	Actual		Actual
REVENUES				
Operating Revenues:				
Charges for services:				
Water and sewer	\$ 2,091,798	\$ 2,051,676	\$ (40,122)	\$ 2,200,915
Capital reserve	163,500	153,345	(10,155)	151,083
Penalties and interest	21,500	22,829	1,329	20,486
Water and sewer taps	5,000	8,250	3,250	6,015
Reconnection fees	3,500	560	(2,940)	2,625
Other operating revenues	16,500	14,173	(2,327)	28,389
Total operating revenues	<u>2,301,798</u>	<u>2,250,833</u>	<u>(50,965)</u>	<u>2,409,513</u>
Nonoperating Revenues:				
Investment earnings	800	230	(570)	1,136
Contributions	-	15,000	15,000	-
Total nonoperating revenues	<u>800</u>	<u>15,230</u>	<u>14,430</u>	<u>1,136</u>
Total revenues	<u>2,302,598</u>	<u>2,266,063</u>	<u>(36,535)</u>	<u>2,410,649</u>
EXPENDITURES				
Operations	1,975,319	1,978,387	(3,068)	1,884,264
Utility service fee to General Fund	137,053	125,100	11,953	150,000
Capital outlay	65,858	65,441	417	49,493
Debt service:				
Principal repayments	407,140	316,461	90,679	342,879
Interest expense	3,000	14,349	(11,349)	17,191
Total Expenditures	<u>2,588,370</u>	<u>2,499,738</u>	<u>88,632</u>	<u>2,443,827</u>
Revenues under expenditures	<u>(285,772)</u>	<u>(233,675)</u>	<u>52,097</u>	<u>(33,178)</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>285,772</u>	<u>-</u>	<u>(285,772)</u>	<u>-</u>
Total other financing sources	<u>285,772</u>	<u>-</u>	<u>(285,772)</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (233,675)</u>	<u>\$ (233,675)</u>	<u>\$ (33,178)</u>

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

SCHEDULE 2

YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2020)

	2021		Variance Positive (Negative)	2020
	Budget	Actual		Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Revenues and other financing sources under expenditures		\$ (233,675)		\$ (33,178)
Capital contributions from water/sewer capital projects		78,320		103,349
Capital outlay		65,441		49,493
Increase in construction in progress		486,630		261,501
Water/sewer capital project fund expenditures		(486,630)		(261,501)
Principal repayments		316,461		342,879
Decrease in note receivable		(4,231)		(4,231)
Pension expense accrual adjustment - LGERS		(25,584)		(30,691)
Pension expense accrual adjustment - RIAP		(59,860)		(34,646)
Increase in compensated absences		(13,024)		(4,914)
Depreciation		(614,550)		(619,595)
Change in net position		<u>\$ (490,702)</u>		<u>\$ (231,534)</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 3

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
REVENUES					
Restricted Intergovernmental:					
Appalachian Reginal Commission Grant	\$ 450,000	\$ 450,000	\$ -	\$ 450,000	\$ -
EXPENDITURES					
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>
OTHER FINANCING SOURCES					
Long-term debt issued	1,500,000	1,497,738	-	1,497,738	(2,262)
Transfer from Water/Sewer Fund	161,837	-	-	-	(161,837)
Total other financing sources	<u>1,661,837</u>	<u>1,497,738</u>	<u>-</u>	<u>1,497,738</u>	<u>(164,099)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (93,973)</u>	<u>\$ -</u>	<u>\$ (93,973)</u>	<u>\$ (93,973)</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 4

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

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

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 5

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted Intergovernmental:					
Clean Water SRF grant	\$ 74,100	\$ 10,956	\$ 52,869	\$ 63,825	\$ (10,275)
EXPENDITURES					
Construction	273,249	37,037	210,573	247,610	25,639
Administration and legal	12,058	6,786	2,349	9,135	2,923
Contingency	11,093	-	-	-	11,093
Total expenditures	296,400	43,823	212,922	256,745	39,655
Revenues under expenditures	(222,300)	(32,867)	(160,053)	(192,920)	29,380
OTHER FINANCING SOURCES					
Long-term debt issued	222,300	-	191,476	191,476	(30,824)
Total other financing sources	222,300	-	191,476	191,476	(30,824)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (32,867)	\$ 31,423	\$ (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 6

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
REVENUES					
Restricted Intergovernmental:					
Clean Water SRF grant	\$ 374,710	\$ 328,979	\$ 25,451	\$ 354,430	\$ (20,280)
EXPENDITURES					
Construction and engineering	410,530	143,166	227,660	370,826	39,704
Administration and legal	20,011	11,464	8,469	19,933	78
Contingency	18,727	-	-	-	18,727
Total expenditures	<u>449,268</u>	<u>154,630</u>	<u>236,129</u>	<u>390,759</u>	<u>58,509</u>
Revenues over (under) expenditures	<u>(74,558)</u>	<u>174,349</u>	<u>(210,678)</u>	<u>(36,329)</u>	<u>38,229</u>
OTHER FINANCING SOURCES					
Long-term debt issued	<u>74,558</u>	<u>74,558</u>	<u>249,679</u>	<u>324,237</u>	<u>249,679</u>
Total other financing sources	<u>74,558</u>	<u>74,558</u>	<u>249,679</u>	<u>324,237</u>	<u>249,679</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 248,907</u>	<u>\$ 39,001</u>	<u>\$ 287,908</u>	<u>\$ 287,908</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 7

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
EXPENDITURES					
Construction and engineering	\$ 180,880	\$ 116,569	\$ 37,579	\$ 154,148	\$ 26,732
Administration and legal	70,232	46,680	-	46,680	23,552
Contingency	9,044	-	-	-	9,044
Total expenditures	260,156	163,249	37,579	200,828	59,328
OTHER FINANCING SOURCES					
Long-term debt issued	255,054	71,394	-	71,394	(183,660)
Transfer from General Fund	5,102	-	-	-	(5,102)
Total other financing sources	260,156	71,394	-	71,394	(188,762)
Revenues and other financing sources under expenditures	\$ -	\$ (91,855)	\$ (37,579)	\$ (129,434)	\$ (129,434)

TOWN OF TAYLORSVILLE

OTHER SCHEDULES

This section contains additional information required on property taxes.

- 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 8

JUNE 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 776,154	\$ 759,556	\$ 16,598
2019-2020	13,777	-	7,806	5,971
2018-2019	7,562	-	2,412	5,150
2017-2018	5,950	-	1,092	4,858
2016-2017	4,439	-	1,239	3,200
2015-2016	3,387	-	784	2,603
2014-2015	2,727	-	317	2,410
2013-2014	2,706	-	1,136	1,570
2012-2013	1,775	-	447	1,328
2011-2012	1,462	-	76	1,386
	<u>\$ 43,785</u>	<u>\$ 776,154</u>	<u>\$ 774,865</u>	<u>45,074</u>
Less allowance for uncollectible accounts				<u>(27,872)</u>
Ad valorem taxes receivable, net				<u>\$ 17,202</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				<u>\$ 773,592</u>
Reconciling items:				
Penalties and interest				(4,706)
Miscellaneous adjustments				<u>5,979</u>
Total collections and credits				<u>\$ 774,865</u>

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

SCHEDULE 9

YEAR ENDED JUNE 30, 2021

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY					
Property tax	\$ 234,947,000	\$ 0.40	\$ 939,788	\$ 887,154	\$ 52,634
Utilities	9,523,434	0.40	38,094	38,094	-
Total original levy	244,470,434		977,882	925,248	52,634
RELEASES					
Current year levy	328,000		1,312	1,312	-
Senior citizens exemption refund	50,104,053		200,416	200,416	-
Total abatements	50,432,053		201,728	201,728	-
Total property valuation	<u>\$ 194,038,381</u>				
Net levy			776,154	723,520	52,634
Uncollected taxes at June 30, 2021			(16,598)	(16,598)	-
Current year's taxes collected			<u>\$ 759,556</u>	<u>\$ 706,922</u>	<u>\$ 52,634</u>
Current levy collection percentage			<u>97.86%</u>	<u>97.71%</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, 2021, 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 November 19, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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
November 19, 2021

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

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?	No
• Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

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

None

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Material Weakness

Finding: 2020-001

Status: Corrected

Material Weakness

Finding: 2020-002

Status: Corrected

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