

**TOWN OF TAYLORSVILLE
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

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

**TOWN OF TAYLORSVILLE
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2019

Mayor: George Holleman

Town Council: Kenny Poole
Ronnie Robinette
Edd Elliott

Town Manager: David Odom

TOWN OF TAYLORSVILLE, NORTH CAROLINA

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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, each major fund, and the aggregate remaining fund information of the Town of Taylorsville, North Carolina, as of and for the year ended June 30, 2019, 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, each major fund, and the aggregate remaining fund information of the Town of Taylorsville, North Carolina, as of June 30, 2019, 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 combining and 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 combining and 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 combining and 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 October 18, 2019 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
October 18, 2019

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Management's Discussion and Analysis

As management of the Town of Taylorsville, we offer readers of the Town of Taylorsville's financial statements this narrative overview and analysis of the financial activities of the Town of Taylorsville for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

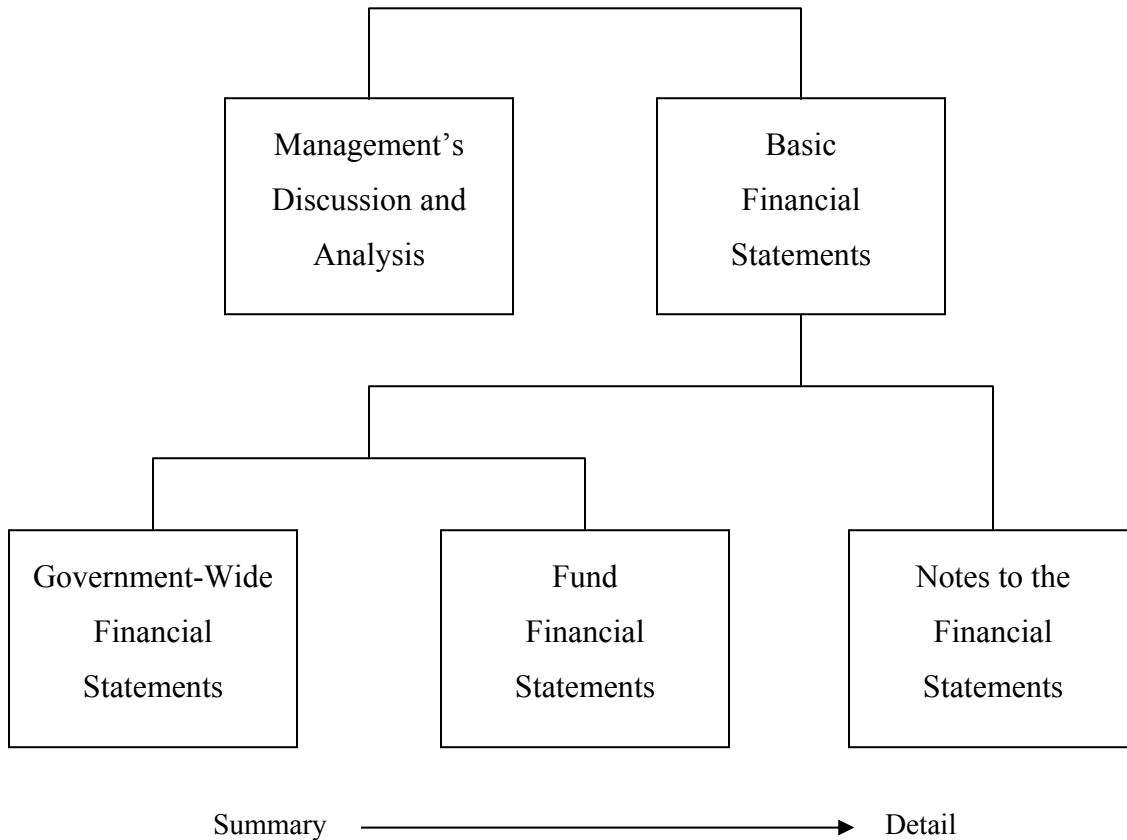
- The assets and deferred outflows of resources of the Town of Taylorsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,289,517 (*net position*).
- The government's total net position increased by \$398,598, due to increases in the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of Taylorsville's governmental funds reported an ending fund balance of \$946,577, an increase of \$244,461, in comparison with the prior year. Approximately 18.7% of this total amount, or \$177,358, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$769,219, or 40.96%, of total General Fund expenditures and transfers out for the fiscal year.
- The Town of Taylorsville's total debt decreased by \$200,076 (3.09%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Taylorsville's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Taylorsville.

Required Components of the Annual Financial Report

Figure 1



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

Government-Wide Financial Statements

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

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

The government-wide statements are 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 of Taylorsville.

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.

The Town of Taylorsville 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 of Taylorsville has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Taylorsville 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 of Taylorsville's progress in funding its obligation to provide pension benefits 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.

Government-Wide Financial Analysis

Town of Taylorsville's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 1,034,639	\$ 784,083	\$ 2,723,928	\$ 2,484,465	\$ 3,758,567	\$ 3,268,548
Capital assets, net	<u>1,597,444</u>	<u>1,649,486</u>	<u>14,144,402</u>	<u>14,439,003</u>	<u>15,741,846</u>	<u>16,088,489</u>
Total assets	<u>2,632,083</u>	<u>2,433,569</u>	<u>16,868,330</u>	<u>16,923,468</u>	<u>19,500,413</u>	<u>19,357,037</u>
Total deferred outflows	<u>292,797</u>	<u>253,773</u>	<u>151,064</u>	<u>127,929</u>	<u>443,861</u>	<u>381,702</u>
Liabilities:						
Current liabilities	65,047	58,604	68,937	66,626	133,984	125,230
Other liabilities	<u>1,617,627</u>	<u>1,644,684</u>	<u>4,661,562</u>	<u>4,972,176</u>	<u>6,279,189</u>	<u>6,616,860</u>
Total liabilities	<u>1,682,674</u>	<u>1,703,288</u>	<u>4,730,499</u>	<u>5,038,802</u>	<u>6,413,173</u>	<u>6,742,090</u>
Total deferred inflows	<u>177,511</u>	<u>76,572</u>	<u>64,073</u>	<u>29,158</u>	<u>241,584</u>	<u>105,730</u>
Net Position:						
Net investments in						
capital assets	1,568,238	1,556,860	10,213,579	10,168,886	11,781,817	11,725,746
Restricted	177,358	192,369	-	-	177,358	192,369
Unrestricted	<u>(680,901)</u>	<u>(841,747)</u>	<u>2,011,243</u>	<u>1,814,551</u>	<u>1,330,342</u>	<u>972,804</u>
Total net position	<u>\$ 1,064,695</u>	<u>\$ 907,482</u>	<u>\$ 12,224,822</u>	<u>\$ 11,983,437</u>	<u>\$ 13,289,517</u>	<u>\$ 12,890,919</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Taylorsville exceeded liabilities and deferred inflows by \$13,289,517 as of June 30, 2019. The Town's net position increased by \$398,598 for the fiscal year ended June 30, 2019. The largest portion of net assets (88.65%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment.) The Town of Taylorsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Taylorsville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town of Taylorsville'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, 2019 was \$177,358. The remaining balance of \$1,330,342 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total governmental net position:

- Improvement in sales tax revenues
- Conservative revenue estimates
- Increase in charges for services
- Increase in other operating revenues for business-type activities

Town of Taylorsville's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 360,240	\$ 286,733	\$ 2,716,175	\$ 2,534,843	\$ 3,076,415	\$ 2,821,576
Operating grants and contributions	62,564	379,908	-	-	62,564	379,908
Capital grants and contributions	-	14,956	372,849	431,068	372,849	446,024
General revenues:						
Property taxes	754,396	750,694	-	-	754,396	750,694
Local option sales tax	460,028	443,633	-	-	460,028	443,633
Unrestricted intergovernmental revenues	457,756	455,030	-	-	457,756	455,030
Investment earnings, unrestricted	2,418	902	826	96	3,244	998
Total revenues	<u>2,097,402</u>	<u>2,331,856</u>	<u>3,089,850</u>	<u>2,966,007</u>	<u>5,187,252</u>	<u>5,297,863</u>
Expenses:						
General government	264,480	209,928	-	-	264,480	209,928
Public safety	1,207,193	1,042,050	-	-	1,207,193	1,042,050
Streets and public works	415,630	438,390	-	-	415,630	438,390
Cultural and recreation	28,943	35,534	-	-	28,943	35,534
Environmental protection	1,060	31,724	-	-	1,060	31,724
Other operations	19,178	64,839	-	-	19,178	64,839
Interest on long-term debt	3,705	3,336	-	-	3,705	3,336
Water and sewer	-	-	2,848,465	2,678,734	2,848,465	2,678,734
Total expenses	<u>1,940,189</u>	<u>1,825,801</u>	<u>2,848,465</u>	<u>2,678,734</u>	<u>4,788,654</u>	<u>4,504,535</u>
Change in net position	<u>157,213</u>	<u>506,055</u>	<u>241,385</u>	<u>287,273</u>	<u>398,598</u>	<u>793,328</u>
Net Position:						
Beginning of year - July 1	907,482	922,535	11,983,437	12,032,664	12,890,919	12,955,199
Restatement	-	(521,108)	-	(336,500)	-	(857,608)
Beginning of year - July 1, restated	<u>907,482</u>	<u>401,427</u>	<u>11,983,437</u>	<u>11,696,164</u>	<u>12,890,919</u>	<u>12,097,591</u>
End of year - June 30	<u>\$ 1,064,695</u>	<u>\$ 907,482</u>	<u>\$ 12,224,822</u>	<u>\$ 11,983,437</u>	<u>\$ 13,289,517</u>	<u>\$ 12,890,919</u>

Governmental Activities. Governmental activities increased the Town of Taylorsville's net position by \$157,213. Key elements of this increase are as follows:

- A focused approach to providing essential services with less personnel and extending the useful service life of Town owned assets continues. The purchase of various equipment, additional cemetery property, and street and sidewalk repairs.

Business-Type Activities. Business-type activities increased the Town of Taylorsville's net position by \$241,385. Key elements of this increase are as follows:

- Receipt of additional grant funds for major improvements at waste water treatment plant and collections system, growth in water and sewer tap sales.
- Increased revenue enterprise consumption from major accounts such as rental business, new apartment complex, and car wash.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Taylorsville'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 of Taylorsville. At the end of the current fiscal year, fund balance available for appropriation was \$797,986, while total fund balance was \$946,577. 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 42.50% of total General Fund expenditures and transfers out, while total fund balance represents 50.41% of total General Fund expenditures and transfers out.

The General Fund, the Rural Economic Development Building Re-Use Capital Project Fund, the Matheson Park Shelter Capital Project Fund and the North Carolina Department of Transportation Commercial Park Avenue and Industrial Boulevard Capital Project Fund are the only governmental funds of the Town. At June 30, 2019, the governmental funds of the Town of Taylorsville reported a total fund balance of \$946,577, a 34.82% increase from last year.

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 \$13,381, which is .76% 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 \$2,011,243. The total increase in net position for the Water and Sewer Fund was \$241,385. Factors concerning the finances of the Enterprise Fund have already been addressed in the discussion of the Town of Taylorsville's business-type activities.

Capital and Intangible Assets and Debt Administration

Capital Assets. The Town of Taylorsville’s capital assets for its governmental and business-type activities as of June 30, 2019 total \$15,741,846 (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:

- 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.

Town of Taylorsville’s Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 539,015	\$ 529,015	\$ 271,075	\$ 271,075	\$ 810,090	\$ 800,090
Buildings	1,100,843	1,100,843	139,025	139,025	1,239,868	1,239,868
Infrastructure	460,054	460,054	-	-	460,054	460,054
System	-	-	17,732,830	17,732,830	17,732,830	17,732,830
Vehicles and equipment	1,040,699	1,012,715	561,867	561,867	1,602,566	1,574,582
Water capacity	-	-	756,000	750,000	756,000	750,000
Construction in progress	-	11,841	3,198,215	2,871,903	3,198,215	2,883,744
Total	3,140,611	3,114,468	22,659,012	22,326,700	25,799,623	25,441,168
Accumulated depreciation and amortization	<u>1,543,167</u>	<u>1,464,982</u>	<u>8,514,610</u>	<u>7,887,697</u>	<u>10,057,777</u>	<u>9,352,679</u>
Capital assets, net	<u>\$ 1,597,444</u>	<u>\$ 1,649,486</u>	<u>\$14,144,402</u>	<u>\$14,439,003</u>	<u>\$15,741,846</u>	<u>\$16,088,489</u>

Additional information on the Town’s capital assets can be found in Note 2A of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2019, the Town of Taylorsville had total notes payable outstanding of \$3,960,029, all of which is secured by assets of the Town.

**Town of Taylorsville’s Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net pension liability (LGERS)	\$ 236,392	\$ 146,967	\$ 127,288	\$ 79,136	\$ 363,680	\$ 226,103
Total pension liability (LEOSSA)	255,094	279,924	-	-	255,094	279,924
Total Pension liability (RIAP)	1,065,000	1,099,863	567,591	586,363	1,632,591	1,686,226
Accrued vacation pay	31,935	25,304	35,860	36,560	67,795	61,864
Direct borrowing and direct placement notes payable	<u>29,206</u>	<u>92,626</u>	<u>3,930,823</u>	<u>4,132,522</u>	<u>3,960,029</u>	<u>4,225,148</u>
Total	<u>\$ 1,617,627</u>	<u>\$ 1,644,684</u>	<u>\$ 4,661,562</u>	<u>\$ 4,834,581</u>	<u>\$ 6,279,189</u>	<u>\$ 6,479,265</u>

The Town of Taylorsville’s total debt decreased by \$200,076 (3.09%) during the past fiscal year.

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

Additional information regarding the Town of Taylorsville’s long-term debt can be found in the notes of this audited financial report.

Economic Factors and Next Year’s Budgets and Rates

The following are economic indicators affecting the Town:

The improvement on sales and use tax receipts. The construction of two new retail locations and ten unit apartment-townhomes. The inability for some local stores to remain open on main street due to the severe fluctuations in consumer spending at these locations, limited parking, obsolete, and inefficient buildings lacking current code attributes.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. Overall, General Fund revenues are estimated to decrease by roughly 5.62% based on improved sales tax revenues, and ABC revenues.

Business-Type Activities. Overall, water and sewer revenues are budgeted to increase compared to 2018-2019 amounts due to a rate increase and the addition of several new users. The Town continues to have several ongoing water and sewer projects.

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.

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TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 834,266	\$ 1,972,054	\$ 2,806,320
Taxes receivable, net	23,015	-	23,015
Accounts receivable, net	-	354,749	354,749
Other receivables	21,591	150	21,741
Notes receivable, current	-	4,231	4,231
Due from other governments	127,000	323,679	450,679
Cash, restricted	28,767	5,594	34,361
Total current assets	<u>1,034,639</u>	<u>2,660,457</u>	<u>3,695,096</u>
Capital assets:			
Land and construction in progress	539,015	3,198,215	3,737,230
Other capital assets, net	1,058,429	10,946,187	12,004,616
Total capital assets	<u>1,597,444</u>	<u>14,144,402</u>	<u>15,741,846</u>
Notes receivable	-	63,471	63,471
Total non-current assets	<u>1,597,444</u>	<u>14,207,873</u>	<u>15,805,317</u>
Total assets	<u>2,632,083</u>	<u>16,868,330</u>	<u>19,500,413</u>
Deferred Outflows of Resources:			
Pension deferrals	<u>292,797</u>	<u>151,064</u>	<u>443,861</u>
Liabilities:			
Accounts payable and accrued liabilities	65,047	63,343	128,390
Liabilities to be paid from restricted assets:			
Utility deposits	-	5,594	5,594
Long-term liabilities:			
Net pension liability - LGERS	236,392	127,288	363,680
Total pension liability - LEOSA	255,094	-	255,094
Total pension liability - RIAP	1,065,000	567,591	1,632,591
Due in less than one year	45,174	283,964	329,138
Due in more than one year	15,967	3,682,719	3,698,686
Total liabilities	<u>1,682,674</u>	<u>4,730,499</u>	<u>6,413,173</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>177,511</u>	<u>64,073</u>	<u>241,584</u>
Net Position:			
Net investment in capital assets	1,568,238	10,213,579	11,781,817
Restricted for:			
Stabilization by state statute	148,591	-	148,591
Restricted, streets	28,767	-	28,767
Unrestricted	<u>(680,901)</u>	<u>2,011,243</u>	<u>1,330,342</u>
Total net position	<u>\$ 1,064,695</u>	<u>\$ 12,224,822</u>	<u>\$ 13,289,517</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 264,480	\$ 240,767	\$ -	\$ -
Public safety	1,207,193	101,123	3,455	-
Street and public works	415,630	-	59,109	-
Other operations	19,178	18,350	-	-
Cultural and recreation	28,943	-	-	-
Economic development	1,060	-	-	-
Interest on long-term debt	3,705	-	-	-
Total governmental activities	<u>1,940,189</u>	<u>360,240</u>	<u>62,564</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>2,848,465</u>	<u>2,716,175</u>	<u>-</u>	<u>372,849</u>
Total primary government	<u>\$ 4,788,654</u>	<u>\$ 3,076,415</u>	<u>\$ 62,564</u>	<u>\$ 372,849</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ 23,713	\$ -	\$ 23,713
Public safety	1,102,615	-	1,102,615
Street and public works	356,521	-	356,521
Other operations	828	-	828
Cultural and recreation	28,943	-	28,943
Economic development	1,060	-	1,060
Interest on long-term debt	3,705	-	3,705
Total governmental activities	1,517,385	-	1,517,385
Business-Type Activities:			
Water and sewer	-	(240,559)	(240,559)
Total primary government	1,517,385	(240,559)	1,276,826
General Revenues:			
Ad valorem taxes	754,396	-	754,396
Local option sales tax	460,028	-	460,028
Unrestricted intergovernmental revenues	457,756	-	457,756
Investment earnings, unrestricted	2,418	826	3,244
Total general revenues	1,674,598	826	1,675,424
Change in net position	157,213	241,385	398,598
Net Position:			
Beginning of year - July 1	907,482	11,983,437	12,890,919
End of year - June 30	\$ 1,064,695	\$ 12,224,822	\$ 13,289,517

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>Major Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Assets:			
Cash and investments	\$ 834,266	\$ -	\$ 834,266
Taxes receivable, net	23,015	-	23,015
Due from other governments	127,000	-	127,000
Other receivables	21,591	-	21,591
Cash, restricted	28,767	-	28,767
Total assets	<u>\$ 1,034,639</u>	<u>\$ -</u>	<u>\$ 1,034,639</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 65,047	\$ -	\$ 65,047
Deferred Inflows of Resources:			
Property taxes receivable	23,015	-	23,015
Fund Balances:			
Restricted:			
Stabilization by state statute	148,591	-	148,591
Restricted, streets	28,767	-	28,767
Unassigned	769,219	-	769,219
Total fund balances	<u>946,577</u>	<u>-</u>	<u>946,577</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,034,639</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Net pension liability - LGERS			(236,392)
Total pension liability - LEOSSA			(255,094)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,597,444
Deferred outflows of resources related to pensions are not reported in the funds.			203,894
Long-term liabilities, compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.			(61,141)
Liabilities for earned revenues are considered deferred inflows of resources in fund statements.			23,015
Total pension liability - RIAP			(1,065,000)
Deferred outflows of resources related to total pension liability - RIAP are not reported in the funds.			88,903
Deferred inflows of resources related to total pension liability - RIAP are not reported in the funds.			(111,778)
Pension related deferrals			<u>(65,733)</u>
Net position of governmental activities			<u>\$ 1,064,695</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Major Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Revenues:			
Ad valorem taxes	\$ 754,744	\$ -	\$ 754,744
Other taxes and licenses	460,028	-	460,028
Unrestricted intergovernmental revenues	457,756	-	457,756
Restricted intergovernmental revenues	62,564	-	62,564
Sales and services	18,350	-	18,350
Investment earnings	2,418	-	2,418
Miscellaneous	341,890	-	341,890
Total revenues	<u>2,097,750</u>	<u>-</u>	<u>2,097,750</u>
Expenditures:			
Current:			
General government	234,814	-	234,814
Public safety	1,080,855	-	1,080,855
Street and public works	396,111	135	396,246
Other operations	9,178	-	9,178
Cultural and recreational	23,993	-	23,993
Economic development	-	1,060	1,060
Capital outlay	40,018	-	40,018
Debt service:			
Principal	63,420	-	63,420
Interest	3,705	-	3,705
Total expenditures	<u>1,852,094</u>	<u>1,195</u>	<u>1,853,289</u>
Revenues over (under) expenditures	<u>245,656</u>	<u>(1,195)</u>	<u>244,461</u>
Other Financing Sources (Uses):			
Transfers in	-	25,654	25,654
Transfers out	(25,654)	-	(25,654)
Total other financing sources (uses)	<u>(25,654)</u>	<u>25,654</u>	<u>-</u>
Net change in fund balances	220,002	24,459	244,461
Fund Balances:			
Beginning of year - July 1	<u>726,575</u>	<u>(24,459)</u>	<u>702,116</u>
End of year - June 30	<u>\$ 946,577</u>	<u>\$ -</u>	<u>\$ 946,577</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 244,461
Property tax revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds statement.	(348)
Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement.	
Compensated absences	(6,631)
Expenses related to Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(14,400)
Change in deferred outflows - pension	74,545
Change in deferred inflows - pension	6,918
Change in net pension liability - LGERS	(89,425)
Pension plan - RIAP plan expense	(69,285)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	40,000
Loss on capital asset disposed of during the year, not recognized on modified accrual basis.	(11,841)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(80,201)
Principal repayments and refunding of debt are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>63,420</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 157,213</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 726,800	\$ 726,800	\$ 754,744	\$ 27,944
Other taxes and licenses	315,000	315,000	460,028	145,028
Unrestricted intergovernmental revenues	382,000	382,000	457,756	75,756
Restricted intergovernmental revenues	61,200	62,700	62,564	(136)
Sales and services	19,500	19,500	18,350	(1,150)
Investment earnings	800	800	2,418	1,618
Miscellaneous	263,750	275,631	341,890	66,259
Total revenues	<u>1,769,050</u>	<u>1,782,431</u>	<u>2,097,750</u>	<u>315,319</u>
Expenditures:				
Current:				
General government	339,771	258,330	234,814	23,516
Public safety	988,860	1,081,841	1,080,855	986
Street and public works	354,179	413,379	396,111	17,268
Other operations	10,000	9,500	9,178	322
Cultural and recreational	28,100	27,100	23,993	3,107
Capital outlay	12,000	40,600	40,018	582
Debt service:				
Principal	32,800	63,420	63,420	-
Interest	3,340	3,772	3,705	67
Total expenditures	<u>1,769,050</u>	<u>1,897,942</u>	<u>1,852,094</u>	<u>45,848</u>
Revenues over (under) expenditures	<u>-</u>	<u>(115,511)</u>	<u>245,656</u>	<u>361,167</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	(26,459)	(25,654)	805
Appropriated fund balance	-	141,970	-	(141,970)
Total other financing sources (uses)	<u>-</u>	<u>115,511</u>	<u>(25,654)</u>	<u>(141,165)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>220,002</u>	<u>\$ 220,002</u>
Fund Balance:				
Beginning of year - July 1			<u>726,575</u>	
End of year - June 30			<u>\$ 946,577</u>	

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2019**

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 1,972,054
Accounts receivable, net	354,749
Other receivables	150
Notes receivable, current	4,231
Due from other governments	323,679
Restricted cash and cash equivalents	<u>5,594</u>
Total current assets	<u>2,660,457</u>
Non-current assets:	
Capital assets:	
Construction in progress	3,198,215
Other capital assets, net	<u>10,946,187</u>
Total capital assets	14,144,402
Notes receivable	<u>63,471</u>
Total non-current assets	<u>14,207,873</u>
Total assets	<u>16,868,330</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>151,064</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	63,343
Liabilities to be paid from restricted assets:	
Utility deposits	5,594
Compensated absences	17,930
Long-term debt	<u>266,034</u>
Total current liabilities	<u>352,901</u>
Non-current liabilities:	
Net pension liability - LGERS	127,288
Compensated absences	17,930
Long-term debt	3,664,789
Total pension liability - RIAP	<u>567,591</u>
Total non-current liabilities	<u>4,377,598</u>
Total liabilities	<u>4,730,499</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>64,073</u>
Net Position:	
Net investment in capital assets	10,213,579
Unrestricted	<u>2,011,243</u>
Total net position	<u>\$ 12,224,822</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 2,474,670
Other operating revenues	241,505
Total operating revenues	<u>2,716,175</u>
Operating Expenses:	
Operations	2,200,719
Depreciation and amortization	626,913
Total operating expenses	<u>2,827,632</u>
Operating income (loss)	<u>(111,457)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	826
Restricted intergovernmental revenues	353,235
Interest expense	(20,833)
Total non-operating revenues (expenses)	<u>333,228</u>
Income (loss) before capital contributions	221,771
Capital Contributions	<u>19,614</u>
Change in net position	241,385
Net Position:	
Beginning of year - July 1	<u>11,983,437</u>
End of year - June 30	<u>\$ 12,224,822</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,486,944
Other operating cash receipts	241,505
Cash paid for goods and services	(2,105,105)
Cash paid to employees	(477,972)
Net cash provided (used) by operating activities	<u>145,372</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(332,312)
Proceeds from long-term debt	71,394
Principal paid on long-term debt	(273,093)
Interest paid on debt	(20,833)
Capital contributions	372,849
Net cash provided (used) by capital and related financing activities	<u>(181,995)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>826</u>
Increase (decrease) in cash and cash equivalents	(35,797)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>2,013,445</u>
End of year - June 30	<u>\$ 1,977,648</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (111,457)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	626,913
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(417,087)
(Increase) decrease in deferred pension outflows	(23,135)
Increase (decrease) in net pension liability	48,152
Increase (decrease) in deferred inflows - pension	34,915
(Increase) decrease in notes receivable	4,231
Increase (decrease) in accounts payable and accrued expenses	3,082
Increase (decrease) in customer deposits	(770)
Increase (decrease) in total pension liability - RIAP	(18,772)
Increase (decrease) in compensated absences	<u>(700)</u>
Net cash provided (used) by operating activities	<u>\$ 145,372</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, street maintenance and construction, sanitation service, and general governmental services.

The Town reports the following nonmajor governmental funds:

North Carolina Department Of Transportation Commercial Park Avenue and Industrial Boulevard Capital Project Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

Rural Economic Development Building Re-Use Capital Project Fund. This fund is used to account for grant funds that are restricted for use of a particular purpose.

Matheson Park Shelter Capital Project Fund. This fund is used to account for grant funds that are restricted for use of a particular purpose.

The Town reports the following major enterprise funds:

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, 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 non-operating 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 non-operating 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.

The Town considers all revenues available if they are collected within 90 days after year-end, 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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the NCDOT Commercial Park Avenue and Industrial Boulevard Capital Project Fund, Matheson Park Shelter Capital Project Fund, Rural Economic Building Re-Use Capital Project Fund, and the Enterprise Capital Project Funds. The Millersville Sanitary Sewer Project, Millstead Woods Apartment Project, Various Sewer Projects, Water System Reliability and Improvements Project, Brushy Mountain Golf Course Sewer Project, 2015 Wastewater Treatment Plant Improvements Project, Sewer Collection System Rehabilitation Project, Asset Inventory and Assessment 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.

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

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 fund, and the NCCMT- Term Portfolio's securities are valued at fair value.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

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.

<u>Town of Taylorsville Restricted Cash</u>			
Governmental Activities:			
General Fund	Streets	\$	28,767
Business-Type Activities:			
Water and Sewer Fund	Utility deposits		<u>5,594</u>
Total restricted cash		\$	<u><u>34,361</u></u>

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, 2018.

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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 FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Position/Fund Balances

Net Position

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

Fund Balances

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

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)].

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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	\$ 946,577
Less:	
Stabilization by state statute	<u>148,591</u>
Total available fund balance	<u>\$ 797,986</u>

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.

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

2. Detail Notes On All Funds

A. Assets

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 undercollateralization, 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, 2019, the Town's deposits had a carrying amount of \$2,840,681 and a bank balance of \$2,886,560. Of the bank balance, \$603,026 was covered by federal depository insurance, and \$2,283,534 was covered by collateral held under the Pooling Method. All of the bank balance was covered by federal depository insurance.

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Other Governments</u>	<u>Other Receivables</u>	<u>Total</u>
Governmental Activities:					
General	\$ -	\$ 47,015	\$ 127,000	\$ 21,591	\$ 195,606
Allowance for doubtful accounts	-	(24,000)	-	-	(24,000)
Total governmental activities	<u>\$ -</u>	<u>\$ 23,015</u>	<u>\$ 127,000</u>	<u>\$ 21,591</u>	<u>\$ 171,606</u>
Business-Type Activities:					
Water and sewer	\$ 588,062	\$ -	\$ 323,679	\$ 150	\$ 911,891
Allowance for doubtful accounts	(233,313)	-	-	-	(233,313)
Total business-type activities	<u>\$ 354,749</u>	<u>\$ -</u>	<u>\$ 323,679</u>	<u>\$ 150</u>	<u>\$ 678,578</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Due from other governments consisted of the following:

Sales tax refund (governmental activities)	\$	15,000
Local option sales tax (governmental activities)		112,000
Sales tax refund (business-type activities)		35,074
NCDENR grants (business-type activities)		<u>288,605</u>
Total	\$	<u><u>450,679</u></u>

Capital Assets

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 529,015	\$ 10,000	\$ -	\$ 539,015
Construction in progress	<u>11,841</u>	<u>-</u>	<u>(11,841)</u>	<u>-</u>
Total non-depreciable assets	<u>540,856</u>	<u>10,000</u>	<u>(11,841)</u>	<u>539,015</u>
Depreciable Assets:				
Building and improvements	1,100,843	-	-	1,100,843
Infrastructure	460,054	-	-	460,054
Equipment	444,337	-	(2,016)	442,321
Vehicles	<u>568,378</u>	<u>30,000</u>	<u>-</u>	<u>598,378</u>
Total depreciable assets	<u>2,573,612</u>	<u>30,000</u>	<u>(2,016)</u>	<u>2,601,596</u>
Less Accumulated Depreciation:				
Building and improvements	519,460	29,090	-	548,550
Infrastructure	43,775	10,223	-	53,998
Equipment	409,025	11,028	(2,016)	418,037
Vehicles	<u>492,722</u>	<u>29,860</u>	<u>-</u>	<u>522,582</u>
Total accumulated depreciation	<u>1,464,982</u>	<u>\$ 80,201</u>	<u>\$ (2,016)</u>	<u>1,543,167</u>
Governmental activities capital assets, net	<u>\$ 1,649,486</u>			<u>\$ 1,597,444</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Governmental Activities:	
General government	\$ 31,287
Public safety	37,075
Public works	7,797
Cultural and recreational	<u>4,042</u>
Total	<u>\$ 80,201</u>

Proprietary Capital Assets

The capital assets of the Proprietary Fund of the Town at June 30, 2019 were as follows:

By Asset Type:	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Non-Depreciable Assets:	<u>July 1, 2018</u>			<u>June 30, 2019</u>
Construction in progress	\$ 2,871,903	\$ 326,312	\$ -	\$ 3,198,215
Depreciable and Amortizable Assets:				
Land and improvements	271,075	-	-	271,075
Water and sewer pumps and lines	17,732,830	-	-	17,732,830
Building	139,025	-	-	139,025
Vehicles	139,274	-	-	139,274
Equipment	422,593	-	-	422,593
Water capacity	<u>750,000</u>	<u>6,000</u>	-	<u>756,000</u>
Total depreciable and amortizable assets	<u>19,454,797</u>	<u>6,000</u>	-	<u>19,460,797</u>
Less Accumulated Depreciation and Amortization:				
Land and improvements	63,207	1,379	-	64,586
Water and sewer pumps and lines	7,101,702	562,991	-	7,664,693
Building	62,466	7,464	-	69,930
Vehicles	128,441	3,332	-	131,773
Equipment	242,298	26,747	-	269,045
Water capacity	<u>289,583</u>	<u>25,000</u>	-	<u>314,583</u>
Total accumulated depreciation and amortization	<u>7,887,697</u>	<u>\$ 626,913</u>	<u>\$ -</u>	<u>8,514,610</u>
Business-type activities capital assets, net	<u>\$ 14,439,003</u>			<u>\$ 14,144,402</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 1,597,444	\$ 14,144,402
Long-term debt	(29,206)	(3,930,823)
Net investment in capital assets	\$ 1,568,238	\$ 10,213,579

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2019 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 23,997	\$ 41,050	\$ 65,047
Business-Type Activities:			
Water and sewer	\$ 49,335	\$ 14,008	\$ 63,343

Pension Plan Obligations

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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, 2019 was 8.50% of compensation for law enforcement officers and 7.75% 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 \$85,168 for the year ended June 30, 2019.

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a liability of \$363,680 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.01533%, which was an increase of 0.00053% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$97,416. At June 30, 2019, 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	\$ 56,107	\$ 1,883
Changes of assumptions	96,507	-
Net difference between projected and actual earnings on pension plan investments	49,922	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,134	9,218
Town contributions subsequent to the measurement date	85,168	-
Total	\$ 294,838	\$ 11,101

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The \$85,168 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2020	\$ 93,806
2021	61,508
2022	12,488
2023	30,767
2024	-
Total	<u>\$ 198,569</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2018 are summarized in the following table:

<u>Asset Class</u>	Long-Term	
	Target	Expected Real
	Allocation	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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 (asset) 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 (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 873,591	\$ 363,680	\$ (62,410)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2017, the Separation Allowance's membership consisted of:

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

Mortality rates are as follows:

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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 no benefits for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the Town reported a total pension liability of \$255,094. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$14,400.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 46,212
Changes of assumptions and other inputs	12,250	12,305
Total	\$ 12,250	\$ 58,517

There are no deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ (9,317)
2021	(9,317)
2022	(9,317)
2023	(8,930)
2024	(8,047)
Thereafter	(1,339)
Total	\$ (46,267)

No benefits or administrative expenses came due subsequent to the measurement date.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 276,509	\$ 255,094	\$ 235,542

Schedule of Changes in Total Pension Liability	
Law Enforcement Officers' Special Separation Allowance	
Beginning balance	\$ 279,924
Service cost	14,871
Interest	8,846
Difference between expected and actual experience	(38,508)
Changes of assumptions and other inputs	(10,039)
Net change in total pension liability	(24,830)
Ending balance of total pension liability	\$ 255,094

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. Also, the law enforcement officers may make voluntary contributions to the Plan.

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 \$25,063. No amounts were forfeited.

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 (NCLGERS), 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 NCLGERS 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.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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.

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

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

At December 31, 2017, the Retirement Insurance Allowance Plan membership consisted of:

Inactive members currently receiving benefits	2
Active members	<u>24</u>
Total	<u>26</u>

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 Retirement Insurance Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor for general employees and 3.50 to 7.35 percent, including inflation and productivity factor for law enforcement officers
Discount rate	3.64 percent
Medical trend rates	Pre-Medicare - 7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023 Post-Medicare - 5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2017.

Mortality rates are as follows:

Deaths After Retirement (Healthy) General Employees: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 115% for males and 79% for females for ages under 78 and by 135% for males and 116% for females for age 78 and older.

Deaths After Retirement (Healthy) Law Enforcement Officers: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Contributions

The Town has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town paid \$8,866 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, 2019, the Town reported a total pension liability of \$1,632,591. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. For the year ended June 30, 2019, the Town recognized pension expense of \$118,834.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 6,032
Changes of assumptions and other inputs	132,436	165,934
Benefit payments and administrative expenses subsequent to the measurement date	4,337	-
Total	\$ 136,773	\$ 171,966

\$4,337 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 137
2021	137
2022	(15,488)
2023	(24,316)
2024	-
Thereafter	-
Total	\$ (39,530)

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 1,990,220	\$ 1,632,591	\$ 1,358,833

Schedule of Changes in Total Pension Liability Retirement Insurance Allowance Plan

	2019
Beginning balance	\$ 1,686,226
Service cost	61,552
Interest on the pension liability	53,145
Changes of assumptions or other inputs	(159,466)
Benefit payments	(8,866)
Ending balance of the total pension liability	\$ 1,632,591

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, 2017 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, 2014.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 14,400	\$ 97,416	\$118,834	\$230,650
Pension liability	255,094	363,680	1,632,591	2,251,365
Proportionate share of the net position liability	n/a	0.01533%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	-	56,107	-	56,107
Changes of assumptions	12,250	96,507	132,436	241,193
Net difference between projected and actual earnings on pension plan investments	-	49,922	-	49,922
Changes in proportion and differences between contributions and proportionate share of contributions	-	7,134	-	7,134
Benefit payments and administrative costs paid subsequent to the measurement date	-	85,168	4,337	89,505
Total deferred outflows of resources	<u>\$ 12,250</u>	<u>\$294,838</u>	<u>\$136,773</u>	<u>\$443,861</u>

Deferred Inflows of Resources:

Difference between expected and actual experience	\$ 46,212	\$ 1,883	\$ 6,032	\$ 54,127
Changes of assumptions	12,305	-	165,934	178,239
Changes in proportion and differences between contributions and proportionate share of contributions	-	9,218	-	9,218
Total deferred inflows of resources	<u>\$ 58,517</u>	<u>\$ 11,101</u>	<u>\$171,966</u>	<u>\$241,584</u>

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
FOR THE YEAR ENDED JUNE 30, 2019**

Deferred Outflows and Inflows of Resources

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

	Amount
Contributions to pension plans in current fiscal year	\$ 89,505
Differences between expected and actual experience	56,107
Changes of assumptions	241,193
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,134
Net difference between projected and actual earnings on pension plan investments	<u>49,922</u>
Total deferred outflows	<u><u>\$ 443,861</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (net)	\$ -	\$ 23,015
Pensions:		
Differences between expected and actual experience	54,127	-
Changes of assumptions and other inputs	178,239	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>9,218</u>	<u>-</u>
Total	<u><u>\$ 241,584</u></u>	<u><u>\$ 23,015</u></u>

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 FOR THE YEAR ENDED JUNE 30, 2019

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.

Long-Term Obligations

The Town's direct purchase and direct borrowing obligations payable at June 30, 2019 are comprised of the following:

Notes Payable

Governmental Activities:

\$122,063 note payable issued February 2017, interest at
3.00% non-disclosable loan, beginning February 2017, due
in annual installments of \$32,773, plus interest, with a final
payment due in fiscal year 2020 \$ 29,206

The Town's outstanding notes from direct placements related to governmental activities of \$29,206 are secured with police cars. The Town's outstanding notes from direct borrowings related to governmental activities of \$29,206 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 FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 514,470
\$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	277,723
\$102,000 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	55,791
\$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	241,272
\$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	246,188
\$1,425,000 payable to NCDENR issued June 2017, interest at -0-% Federal Revolving Loan, beginning May 2019, due in annual installments of \$71,250, with a final payment due in fiscal year 2038	1,425,000
\$418,700 payable to NCDENR issued June 2016, interest at -0-% Federal Revolving Loan, beginning May 2019, due in annual installments of \$29,279, with a final payment due in fiscal year 2038	418,700
\$71,394 payable to NCDENR issued June 2019, interest at -0-% Federal Revolving Loan, beginning May 2020, due in annual installments of \$3,570, with a final payment due in fiscal year 2039	71,394
\$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	<u>680,285</u>
Total	<u>\$ 3,930,823</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town's outstanding notes from direct placements related to business-type activities of \$514,470 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$514,470 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.

The Town's outstanding notes from direct borrowings related to business-type activities of \$277,723 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$277,723 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.

The Town's outstanding notes from direct borrowings related to business-type activities of \$55,791 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$55,791 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.

The Town's outstanding notes from direct borrowings related to business-type activities of \$241,272 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$241,272 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town's outstanding notes from direct borrowings related to business-type activities of \$246,188 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$246,188 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.

The Town's outstanding notes from direct borrowings related to business-type activities of \$1,425,000 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$1,425,000 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.

The Town's outstanding notes from direct borrowings related to business-type activities of \$418,700 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$418,700 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.

The Town's outstanding notes from direct borrowings related to business-type activities of \$71,394 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$71,394 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 FOR THE YEAR ENDED JUNE 30, 2019

The Town's outstanding notes from direct borrowings related to business-type activities of \$680,285 are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities of \$680,285 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.

Annual debt service requirements to maturity for the Town's governmental activities notes payable are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2020	\$ 29,206	\$ 3,567	\$ 32,773

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

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2020	\$ 266,034	\$ 16,188	\$ 282,222
2021	267,518	14,350	281,868
2022	269,024	12,505	281,529
2023	270,559	10,642	281,201
2024	272,116	8,723	280,839
2025-2029	1,195,986	18,184	1,214,170
2030-2034	874,871	3,447	878,318
2035-2039	514,715	-	514,715
Total notes payable	<u>\$ 3,930,823</u>	<u>\$ 84,039</u>	<u>\$ 4,014,862</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

A summary of long-term debt is as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Direct placement notes payable	\$ 92,626	\$ -	\$ 63,420	\$ 29,206	\$ 29,206
Net pension liability - LGERS	146,967	89,425	-	236,392	-
Total pension liability - LEOSSA	279,924	23,717	48,547	255,094	-
Accrued vacation pay	25,304	25,583	18,952	31,935	15,968
Total pension liability - RIAP	<u>1,099,863</u>	<u>-</u>	<u>34,863</u>	<u>1,065,000</u>	<u>-</u>
Total	<u>\$ 1,644,684</u>	<u>\$ 138,725</u>	<u>\$ 165,782</u>	<u>\$ 1,617,627</u>	<u>\$ 45,174</u>
Business-Type Activities:					
Direct placement and direct borrowing notes payable	\$ 4,132,522	\$ 71,394	\$ 273,093	\$ 3,930,823	\$ 266,034
Net pension liability - LGERS	79,136	48,152	-	127,288	-
Accrued vacation pay	36,560	18,893	19,593	35,860	17,930
Total pension liability - RIAP	<u>586,363</u>	<u>-</u>	<u>18,772</u>	<u>567,591</u>	<u>-</u>
Total	<u>\$ 4,834,581</u>	<u>\$ 138,439</u>	<u>\$ 311,458</u>	<u>\$ 4,661,562</u>	<u>\$ 283,964</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, 2019, the Town had a legal debt margin of approximately \$15,000,000.

Interfund Balances and Activity

Transfers to/from governmental funds for the year ended June 30, 2019 consist of the following:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Rural Economic Development Building Re-Use Capital Project Fund	Project completion	\$ 8,987
General Fund	Matheson Park Shelter Capital Project Fund	Project completion	11,841
General Fund	Commercial Park Ave & Industrial Blvd Capital Project Fund	Project completion	<u>4,826</u>
Total			<u>\$ 25,654</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 \$2,781 for membership fees, \$762 for miscellaneous services, and \$1,340 for administrative services to the Council during the fiscal year ended June 30, 2019.

4. Summary Disclosures of Significant Contingencies

A. Construction Commitments

The government has several active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Sewer Collection System Rehabilitation Project	\$ 1,056,303	\$ 50,984
2015 Wastewater Treatment Plant Improvement Project	2,019,791	4,209
Linney Mountain Area Water Project	26,928	275,030
2019 Waste Water Treatment Plant Improvement Project	18,821	463,179
Waste Water Treatment Plant Renewable Energy Project	<u>76,372</u>	<u>183,784</u>
Total	<u>\$ 2,141,912</u>	<u>\$ 926,202</u>

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.

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TOWN OF TAYLORSVILLE, NORTH CAROLINA

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SIX FISCAL YEARS ***

	Local Government Employees' Retirement System					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0153%	0.0148%	0.0157%	0.0171%	0.0172%	0.0173%
Town's proportion of the net pension liability (asset) (\$)	\$ 363,680	\$ 226,103	\$ 332,994	\$ 76,654	\$ (101,377)	\$ 208,531
Town's covered payroll*	\$ 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	35.76%	23.94%	38.55%	11.57%	(15.94%)	25.01%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS

Local Government Employees' Retirement System						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 85,168	\$ 79,937	\$ 72,018	\$ 59,647	\$ 64,565	\$ 64,118
Contributions in relation to the contractually required contribution	<u>85,168</u>	<u>79,937</u>	<u>72,018</u>	<u>59,647</u>	<u>64,565</u>	<u>64,118</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,047,647	\$ 1,016,940	\$ 944,364	\$ 863,885	\$ 662,272	\$ 635,929
Contributions as a percentage of covered payroll	8.13%	7.86%	7.63%	6.90%	9.75%	10.08%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TAYLORSVILLE, NORTH CAROLINA**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS****Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 279,924	\$ 259,545	\$ 243,187
Service cost	14,871	12,814	14,779
Interest on the total pension liability	8,846	10,018	8,682
Changes in assumptions or other inputs	(10,039)	17,718	(7,103)
Difference between expected and actual experience	<u>(38,508)</u>	<u>(20,171)</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 255,094</u>	<u>\$ 279,924</u>	<u>\$ 259,545</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TAYLORSVILLE, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS****Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 255,094	\$ 279,924	\$ 259,545
Covered payroll	475,714	470,877	545,106
Total pension liability as a percentage of covered payroll	53.62%	59.45%	47.61%

Notes to the Schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 RETIREMENT INSURANCE ALLOWANCE PLAN
 LAST THREE FISCAL YEARS

Retiree Insurance Allowance Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,686,226	\$ 1,371,373	\$ 1,358,866
Service cost	61,552	49,771	52,356
Interest on the total pension liability	53,145	52,766	48,361
Difference between expected and actual experience	-	(10,550)	-
Changes in assumptions or other inputs	(159,466)	231,640	(79,792)
Benefit payments	<u>(8,866)</u>	<u>(8,774)</u>	<u>(8,418)</u>
Ending balance of the total pension liability	<u>\$ 1,632,591</u>	<u>\$ 1,686,226</u>	<u>\$ 1,371,373</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
RETIREMENT INSURANCE ALLOWANCE PLAN
LAST THREE FISCAL YEARS**

Retiree Insurance Allowance Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373
Covered payroll	997,909	997,909	770,234
Total pension liability as a percentage of covered payroll	163.60%	168.98%	178.05%

Notes to the Schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 720,800	\$ 750,232	\$ 29,432	\$ 754,386
Penalties and interest	6,000	4,512	(1,488)	7,657
Total ad valorem taxes	<u>726,800</u>	<u>754,744</u>	<u>27,944</u>	<u>762,043</u>
Other Taxes and Licenses:				
Local option sales tax	<u>315,000</u>	<u>460,028</u>	<u>145,028</u>	<u>443,633</u>
Total other taxes and licenses	<u>315,000</u>	<u>460,028</u>	<u>145,028</u>	<u>443,633</u>
Unrestricted Intergovernmental Revenues:				
Franchise tax	90,100	138,343	48,243	132,299
Telecommunications tax	55,000	46,225	(8,775)	49,552
Beer and wine tax	10,500	9,272	(1,228)	9,810
Sales tax refund	24,000	41,906	17,906	50,056
Gasoline tax refunds	4,800	2,428	(2,372)	2,411
ABC profit distribution	19,800	30,000	10,200	28,250
Hold harmless	177,800	188,063	10,263	181,128
Solid waste disposal tax	-	1,519	1,519	1,524
Total unrestricted intergovernmental revenues	<u>382,000</u>	<u>457,756</u>	<u>75,756</u>	<u>455,030</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	61,200	59,109	(2,091)	62,324
Other	-	3,455	3,455	882
Total restricted intergovernmental revenues	<u>62,700</u>	<u>62,564</u>	<u>(136)</u>	<u>63,206</u>
Sales and Services:				
Cemetery plots	10,000	5,000	(5,000)	10,000
Cemetery - other income	9,500	13,350	3,850	7,750
Total sales and services	<u>19,500</u>	<u>18,350</u>	<u>(1,150)</u>	<u>17,750</u>
Investment Earnings	<u>800</u>	<u>2,418</u>	<u>1,618</u>	<u>902</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
Miscellaneous:				
Parking violation penalties	300	-	(300)	-
Building rent	37,200	41,500	4,300	41,500
Resource officer reimbursement	64,000	101,123	37,123	38,451
Cable franchise revenue	27,000	33,529	6,529	36,009
Recycling revenue	500	-	(500)	-
Insurance reimbursement	6,881	831	(6,050)	2,350
Other	139,750	164,907	25,157	150,673
Total miscellaneous	<u>275,631</u>	<u>341,890</u>	<u>66,259</u>	<u>268,983</u>
Total revenues	<u>1,782,431</u>	<u>2,097,750</u>	<u>315,319</u>	<u>2,011,547</u>
Expenditures:				
General Government:				
Town Council	53,335	52,939	396	49,914
Administration	304,290	303,580	710	311,922
Utility service fee from Enterprise Fund	(150,000)	(150,000)	-	(150,000)
Contingency	19,555	-	19,555	-
Public buildings	31,150	28,295	2,855	36,060
Total general government	<u>258,330</u>	<u>234,814</u>	<u>23,516</u>	<u>247,896</u>
Public Safety:				
Police department	992,556	991,570	986	920,119
Fire department	60,000	60,000	-	60,000
Alexander County Rescue and EMS	3,500	3,500	-	3,500
Other	25,785	25,785	-	2,900
Total public safety	<u>1,081,841</u>	<u>1,080,855</u>	<u>986</u>	<u>986,519</u>
Street and Public Works:				
Streets and sanitation	<u>413,379</u>	<u>396,111</u>	<u>17,268</u>	<u>391,285</u>
Other Operations:				
Cemetery	<u>9,500</u>	<u>9,178</u>	<u>322</u>	<u>5,713</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Cultural and Recreational:				
Recreation	27,100	23,993	3,107	27,192
Total cultural and recreational	27,100	23,993	3,107	27,192
Capital Outlay:				
General government	500	18	482	-
Police	25,000	25,000	-	200
Street and public works	5,100	5,000	100	-
Recreation	-	-	-	4,300
Cemetery	10,000	10,000	-	59,126
Total capital outlay	40,600	40,018	582	63,626
Debt Service:				
Principal	63,420	63,420	-	29,437
Interest	3,772	3,705	67	3,336
Total debt service	67,192	67,125	67	32,773
Total expenditures	1,897,942	1,852,094	45,848	1,755,004
Revenues over (under) expenditures	(115,511)	245,656	361,167	256,543
Other Financing Sources (Uses):				
Transfer to other funds	(26,459)	(25,654)	805	-
Appropriated fund balance	141,970	-	(141,970)	-
Total other financing sources (uses)	115,511	(25,654)	(141,165)	-
Net change in fund balance	\$ -	220,002	\$ 220,002	256,543
Fund Balance:				
Beginning of year - July 1		726,575		470,032
End of year - June 30		\$ 946,577		\$ 726,575

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2019

	Rural Economic Development Building Re-Use Capital Project Fund	Matheson Park Shelter Capital Project Fund	NCDOT Commercial Park Ave & Industrial Blvd Capital Project Fund	Total
Expenditures:				
Cultural and recreational	\$ 1,060	\$ -	\$ -	\$ 1,060
Transportation	-	-	135	135
Total expenditures	<u>1,060</u>	<u>-</u>	<u>135</u>	<u>1,195</u>
Revenues over (under) expenditures	<u>(1,060)</u>	<u>-</u>	<u>(135)</u>	<u>(1,195)</u>
Other Financing Sources (Uses):				
Transfers in	<u>8,987</u>	<u>11,841</u>	<u>4,826</u>	<u>25,654</u>
Net change in fund balances	7,927	11,841	4,691	24,459
Fund Balances:				
Beginning of year - July 1	<u>(7,927)</u>	<u>(11,841)</u>	<u>(4,691)</u>	<u>(24,459)</u>
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NCDOT COMMERCIAL PARK AVE & INDUSTRIAL BLVD CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
NCDOT	\$ 356,100	\$ 316,702	\$ -	\$ 316,702	\$ (39,398)
Expenditures:					
Construction	326,425	287,508	-	287,508	38,917
Engineering design	34,501	33,885	135	34,020	481
Total expenditures	360,926	321,393	135	321,528	39,398
Revenues over (under) expenditures	(4,826)	(4,691)	(135)	(4,826)	-
Other Financing Sources (Uses):					
Transfer from General Fund	4,826	-	4,826	4,826	-
Net change in fund balance	\$ -	\$ (4,691)	\$ 4,691	\$ -	\$ -

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**MATHESON PARK SHELTER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
NC Department of Culture and Recreation	\$ 50,000	\$ -	\$ -	\$ -	\$ (50,000)
Expenditures:					
Construction	170,000	-	-	-	170,000
Engineering design	11,500	11,841	-	11,841	(341)
Total expenditures	181,500	11,841	-	11,841	169,659
Revenues over (under) expenditures	(131,500)	(11,841)	-	(11,841)	119,659
Other Financing Sources (Uses):					
Transfer from General Fund	131,500	-	11,841	11,841	(119,659)
Net change in fund balance	\$ -	\$ (11,841)	\$ 11,841	\$ -	\$ -

TOWN OF TAYLORSVILLE, NORTH CAROLINA

RURAL ECONOMIC DEVELOPMENT BUILDING RE-USE CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
Rural Health Care Building Re-Use Grant	\$ 85,000	\$ 85,000	\$ -	\$ 85,000	\$ -
Expenditures:					
Administration	1,060	-	1,060	1,060	-
Renovation and construction	92,927	92,927	-	92,927	-
Total expenditures	93,987	92,927	1,060	93,987	-
Revenues over (under) expenditures	(8,987)	(7,927)	(1,060)	(8,987)	-
Other Financing Sources (Uses):					
Transfer from General Fund	8,987	-	8,987	8,987	-
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,927)</u>	<u>\$ 7,927</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2018

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Charges for services:				
Water and sewer	\$ 2,036,954	\$ 2,293,004	\$ 256,050	\$ 2,321,410
Capital reserve	154,400	149,468	(4,932)	144,323
Penalties and interest	25,000	27,338	2,338	27,467
Water and sewer taps	6,000	2,000	(4,000)	25,038
Reconnection fees	4,000	2,860	(1,140)	5,180
Impact and assessment fees	-	-	-	111
Other operating revenues	79,092	245,736	166,644	15,546
Total operating revenues	<u>2,305,446</u>	<u>2,720,406</u>	<u>414,960</u>	<u>2,539,075</u>
Non-Operating Revenues:				
Investment earnings	300	826	526	96
Energy United contribution	-	19,614	19,614	15,000
Total non-operating revenues	<u>300</u>	<u>20,440</u>	<u>20,140</u>	<u>15,096</u>
Total revenues	<u>2,305,746</u>	<u>2,740,846</u>	<u>435,100</u>	<u>2,554,171</u>
Expenditures:				
Operations	2,010,259	2,010,259	-	1,764,669
Utility service fee to General Fund	150,000	150,000	-	150,000
Debt service:				
Principal repayments	273,093	273,093	-	204,978
Interest expense	20,868	20,833	35	60,014
Capital outlay	29,559	6,000	23,559	66,627
Contingency	67	-	67	-
Total expenditures	<u>2,483,846</u>	<u>2,460,185</u>	<u>23,661</u>	<u>2,246,288</u>
Revenues over (under) expenditures	<u>(178,100)</u>	<u>280,661</u>	<u>458,761</u>	<u>307,883</u>
Other Financing Sources (Uses):				
Transfers from Water and Sewer Capital Project Fund	204,419	114,867	(89,552)	-
Transfers (to) Water and Sewer Capital Project Fund	(104,419)	(100,071)	4,348	-
Appropriated fund balance	78,100	-	(78,100)	-
Total other financing sources (uses)	<u>178,100</u>	<u>14,796</u>	<u>(163,304)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 295,457</u>	<u>\$ 295,457</u>	<u>\$ 307,883</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>		<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
			<u>Actual</u>
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual:			
Revenues and other financing sources over			
(under) expenditures and other financing uses		\$ 295,457	\$ 307,883
Capital contributions from water/sewer capital projects		353,235	416,068
Capital outlay		6,000	46,999
Principal repayments		273,093	204,978
Intrafund transfers		(14,796)	-
Decrease in note receivable		(4,231)	(4,232)
Increase (decrease) in deferred outflows of resources - pensions		40,140	92,990
(Increase) decrease in net pension liability - LGERS		(48,152)	37,412
Decrease in deferred inflows of resources - pensions		3,725	2,541
(Increase) decrease in accrued vacation		700	5,820
Increase in deferred outflows of resources - RIAP		(17,005)	(64,876)
Increase in deferred inflows of resources - RIAP		(38,640)	(21,548)
(Increase) decrease in RIAP total pension liability		18,772	(109,486)
Depreciation and amortization		<u>(626,913)</u>	<u>(627,276)</u>
Change in net position		<u>\$ 241,385</u>	<u>\$ 287,273</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - MILLERSVILLE SANITARY SEWER PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual			Variance Over/Under
		Prior Year	Current Year	Total to Date	
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 850,355	\$ 850,355	\$ -	\$ 850,355	\$ -
Golden Leaf grant	300,000	300,000	-	300,000	-
NC Clean Water Management Trust grant	600,000	600,000	-	600,000	-
Total revenues	<u>1,750,355</u>	<u>1,750,355</u>	<u>-</u>	<u>1,750,355</u>	<u>-</u>
Expenditures:					
Construction	2,310,026	2,235,980	-	2,235,980	74,046
Engineering	245,000	241,800	-	241,800	3,200
Administration and legal	87,637	42,247	-	42,247	45,390
Total expenditures	<u>2,642,663</u>	<u>2,520,027</u>	<u>-</u>	<u>2,520,027</u>	<u>122,636</u>
Revenues over (under) expenditures	<u>(892,308)</u>	<u>(769,672)</u>	<u>-</u>	<u>(769,672)</u>	<u>122,636</u>
Other Financing Sources (Uses):					
Long-term debt issued	850,356	850,356	-	850,356	-
Transfer to Water/Sewer Fund	(80,684)	-	(80,684)	(80,684)	-
Transfer from Water/Sewer Fund	122,636	-	-	-	(122,636)
Total other financing sources (uses)	<u>892,308</u>	<u>850,356</u>	<u>(80,684)</u>	<u>769,672</u>	<u>(122,636)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 80,684</u>	<u>\$ (80,684)</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - MILLSTEAD WOODS APARTMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
Community Development grant	\$ 268,000	\$ 239,815	\$ -	\$ 239,815	\$ (28,185)
Expenditures:					
Construction	262,484	262,325	-	262,325	159
Engineering	20,516	20,516	-	20,516	-
Total expenditures	283,000	282,841	-	282,841	159
Revenues over (under) expenditures	(15,000)	(43,026)	-	(43,026)	(28,026)
Other Financing Sources (Uses):					
Transfer from Water/Sewer Fund	15,000	-	43,026	43,026	28,026
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (43,026)	\$ 43,026	\$ -	\$ -

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - VARIOUS SEWER PROJECTS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Year	Current Year		
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 344,791	\$ 344,674	\$ -	\$ 344,674	\$ (117)
Expenditures:					
Construction	597,703	622,063	-	622,063	(24,360)
Engineering	62,500	41,132	-	41,132	21,368
Administration and legal	21,790	20,432	-	20,432	1,358
Contingency	29,885	-	-	-	29,885
Total expenditures	711,878	683,627	-	683,627	28,251
Revenues over (under) expenditures	(367,087)	(338,953)	-	(338,953)	28,134
Other Financing Sources (Uses):					
Long-term debt issued	344,673	344,673	-	344,673	-
Transfer from Water/Sewer Fund	19,809	-	-	-	(19,809)
Transfer to Water/Sewer Fund	(5,720)	-	(5,720)	(5,720)	-
Transfer from General Fund	8,325	-	-	-	(8,325)
Total other financing sources (uses)	367,087	344,673	(5,720)	338,953	(28,134)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 5,720	\$ (5,720)	\$ -	\$ -

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT -
 WATER SYSTEM RELIABILITY AND IMPROVEMENTS PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Year	Current Year		
Revenues:					
Restricted Intergovernmental Revenues:					
DWSRF principal-forgiveness loan	\$ 1,196,561	\$ 1,196,561	\$ -	\$ 1,196,561	\$ -
Expenditures:					
Mueller systems (automated meters)	355,269	355,269	-	355,269	-
Locke-Lane Construction, Inc.	958,845	958,845	-	958,845	-
Engineering design, surveying, and construction administration	132,220	132,220	-	132,220	-
Loan closing fee	29,500	29,500	-	29,500	-
Total expenditures	1,475,834	1,475,834	-	1,475,834	-
Revenues over (under) expenditures	(279,273)	(279,273)	-	(279,273)	-
Other Financing Sources (Uses):					
DWSRF zero-percent-interest loan	307,736	307,736	-	307,736	-
Transfer to Water/Sewer Fund	(28,463)	-	(28,463)	(28,463)	-
Total other financing sources (uses)	279,273	307,736	(28,463)	279,273	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 28,463	\$ (28,463)	\$ -	\$ -

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - BRUSHY MOUNTAIN GOLF COURSE SEWER PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Construction	\$ 50,000	\$ 48,760	\$ -	\$ 48,760	\$ 1,240
Engineering	5,000	3,486	-	3,486	1,514
Total expenditures	<u>55,000</u>	<u>52,246</u>	<u>-</u>	<u>52,246</u>	<u>2,754</u>
Revenues over (under) expenditures	(55,000)	(52,246)	-	(52,246)	2,754
Other Financing Sources (Uses):					
Transfer from Water/Sewer Fund	<u>55,000</u>	<u>-</u>	<u>52,246</u>	<u>52,246</u>	<u>(2,754)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (52,246)</u>	<u>\$ 52,246</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - 2015 WASTEWATER TREATMENT
 PLANT IMPROVEMENTS PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
Appalachian Regional Commission Grant	\$ 450,000	\$ 161,395	\$ 288,605	\$ 450,000	\$ -
Expenditures:					
Construction	1,780,000	1,779,835	-	1,779,835	165
Engineering	127,200	121,573	5,560	127,133	67
Administration and legal	116,800	91,632	21,191	112,823	3,977
Total expenditures	<u>2,024,000</u>	<u>1,993,040</u>	<u>26,751</u>	<u>2,019,791</u>	<u>4,209</u>
Revenues over (under) expenditures	<u>(1,574,000)</u>	<u>(1,831,645)</u>	<u>261,854</u>	<u>(1,569,791)</u>	<u>4,209</u>
Other Financing Sources (Uses):					
Long-term debt issued	1,500,000	1,425,000	-	1,425,000	(75,000)
Transfer from Water/Sewer Fund	74,000	-	-	-	(74,000)
Total other financing sources (uses)	<u>1,574,000</u>	<u>1,425,000</u>	<u>-</u>	<u>1,425,000</u>	<u>(149,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (406,645)</u>	<u>\$ 261,854</u>	<u>\$ (144,791)</u>	<u>\$ (144,791)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - SEWER COLLECTION SYSTEM
 REHABILITATION PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Year	Current Year		
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 500,000	\$ 383,351	\$ 64,630	\$ 447,981	\$ (52,019)
Expenditures:					
Construction	817,375	695,392	164,482	859,874	(42,499)
Engineering	50,000	120,632	9,605	130,237	(80,237)
Administration and legal	239,912	62,839	3,353	66,192	173,720
Total expenditures	1,107,287	878,863	177,440	1,056,303	50,984
Revenues over (under) expenditures	(607,287)	(495,512)	(112,810)	(608,322)	(1,035)
Other Financing Sources (Uses):					
Long-term debt issued	585,575	447,980	-	447,980	(137,595)
Transfer from Water/Sewer Fund	21,712	-	-	-	(21,712)
Total other financing sources (uses)	607,287	447,980	-	447,980	(159,307)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (47,532)	\$ (112,810)	\$ (160,342)	\$ (160,342)

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - ASSET INVENTORY & ASSESSMENT PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted Intergovernmental Revenues:					
NC Div. of Water Infrastructure	\$ 65,000	\$ 63,185	\$ -	\$ 63,185	\$ (1,815)
Expenditures:					
Town of Taylorsville Grant Fee	814	814	-	814	-
WPCOG - Administration	187	-	-	-	187
WPCOG Project Services	<u>67,170</u>	<u>67,170</u>	-	<u>67,170</u>	-
Total expenditures	<u>68,171</u>	<u>67,984</u>	-	<u>67,984</u>	<u>187</u>
Revenues over (under) expenditures	(3,171)	(4,799)	-	(4,799)	(1,628)
Other Financing Sources (Uses):					
Transfer from Water/Sewer Fund	<u>3,171</u>	-	<u>4,799</u>	<u>4,799</u>	<u>1,628</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (4,799)</u>	<u>\$ 4,799</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - LINNEY MOUNTAIN
 AREA WATER PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 74,100	\$ -	\$ 288,605	\$ 288,605	\$ 214,505
Expenditures:					
Engineering	289,900	-	26,000	26,000	263,900
Administration and legal	12,058	-	928	928	11,130
Total expenditures	301,958	-	26,928	26,928	275,030
Revenues over (under) expenditures	(227,858)	-	261,677	261,677	489,535
Other Financing Sources (Uses):					
Long-term debt issued	222,300	-	-	-	(222,300)
Transfer from Water/Sewer Fund	5,558	-	-	-	(5,558)
Total other financing sources (uses)	227,858	-	-	-	(227,858)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 261,677	\$ 261,677	\$ 261,677

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - 2019 WASTE WATER
TREATMENT PLANT IMPROVEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 125,000	\$ -	\$ 288,605	\$ 288,605	\$ 163,605
Expenditures:					
Engineering	463,350	-	17,848	17,848	445,502
Administration and legal	18,650	-	973	973	17,677
Total expenditures	482,000	-	18,821	18,821	463,179
Revenues over (under) expenditures	(357,000)	-	269,784	269,784	626,784
Other Financing Sources (Uses):					
Long-term debt issued	350,000	-	-	-	(350,000)
Transfer from Water/Sewer Fund	7,000	-	-	-	(7,000)
Total other financing sources (uses)	357,000	-	-	-	(357,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 269,784	\$ 269,784	\$ 269,784

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - WASTE WATER
TREATMENT PLANT RENEWABLE ENERGY
PROJECT - SOLAR FARM
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual			Variance Over/Under
		Prior Year	Current Year	Total to Date	
Expenditures:					
Engineering	\$ 189,924	\$ -	\$ 29,692	\$ 29,692	\$ 160,232
Administration and legal	70,232	-	46,680	46,680	23,552
Total expenditures	<u>260,156</u>	<u>-</u>	<u>76,372</u>	<u>76,372</u>	<u>183,784</u>
Revenues over (under) expenditures	<u>(260,156)</u>	<u>-</u>	<u>(76,372)</u>	<u>(76,372)</u>	<u>183,784</u>
Other Financing Sources (Uses):					
Long-term debt issued	255,054	-	71,394	71,394	(183,660)
Transfer from Water/Sewer Fund	5,102	-	-	-	(5,102)
Total other financing sources (uses)	<u>260,156</u>	<u>-</u>	<u>71,394</u>	<u>71,394</u>	<u>(188,762)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,978)</u>	<u>\$ (4,978)</u>	<u>\$ (4,978)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 751,736	\$ 738,013	\$ 13,723
2017-2018	21,316	-	6,764	14,552
2016-2017	6,427	-	1,421	5,006
2015-2016	4,710	-	679	4,031
2014-2015	4,020	-	984	3,036
2013-2014	3,042	-	882	2,160
2012-2013	2,671	-	890	1,781
2011-2012	2,316	-	483	1,833
2010-2011	1,009	-	116	893
2009-2010	852	-	852	-
Total	<u>\$ 46,363</u>	<u>\$ 751,736</u>	<u>\$ 751,084</u>	47,015
Less: allowance for uncollectible accounts				<u>(24,000)</u>
Ad valorem taxes receivable, net				<u>\$ 23,015</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 754,744
Reconciling items:				
Amounts written off per Statute of Limitations				852
Penalties and interest				<u>(4,512)</u>
Total collections and credits				<u>\$ 751,084</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax	\$ 228,177,603	\$ 0.40	\$ 710,592	\$ 663,846	\$ 46,746
Utilities	9,935,874	0.40	42,556	42,556	-
Total original levy	<u>238,113,477</u>		<u>753,148</u>	<u>706,402</u>	<u>46,746</u>
Releases:					
Senior citizens exemption refund	<u>50,529,519</u>		<u>1,412</u>	<u>1,412</u>	<u>-</u>
Total property valuation	<u>\$ 187,583,958</u>				
Net Levy			751,736	704,990	46,746
Uncollected taxes at June 30, 2019			<u>13,723</u>	<u>13,723</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 738,013</u>	<u>\$ 691,267</u>	<u>\$ 46,746</u>
Current Levy Collection Percentage			<u>98.17%</u>	<u>98.05%</u>	<u>100.00%</u>

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, each major fund, and the aggregate remaining fund information of the Town of Taylorsville, North Carolina, as of and for the year ended June 30, 2019, 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 October 18, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items, 2019-001, 2019-002, 2019-003, 2019-004, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Taylorsville's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Taylorsville's Responses to Findings

The Town of Taylorsville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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
October 18, 2019

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

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

Material Weakness

Finding 2019-001:

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

Condition: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by Town personnel with regards to drafting full accrual, full disclosure year-end financial statements. Although management of the town does not possess expertise to draft full accrual, full disclosure financial statements, they do accept responsibility for the preparation and fair presentation of the financial statements and they possess the skills and knowledge to oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the Town.

Effect: Errors could occur in financial reporting.

Cause: There are limited Town resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-001.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in overseeing the drafting services, reconciling, and reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Name of Contact Person: David Odom

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

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

Material Weakness

Finding 2019-002

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

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: Errors could occur in financial reporting.

Cause: There are limited Town resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-002.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the units available financial and intellectual resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

Name of Contact Person: David Odom

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

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

Material Weakness

Finding 2019-003

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Due to the limited number of personnel in the Town office, there are inherent limitations to segregation of duties among personnel.

Effect: Errors in financial reporting could occur and not be detected.

Cause: There are limited number of personnel for certain functions.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Alternate controls should be used to compensate for any lack of segregation of duties.

Name of Contact Person: David Odom

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

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

Material Weakness

Finding 2019-004

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

Condition: Cash reconciliations were being prepared but did not balance to the general ledger.

Effect: Errors can occur in financial reporting.

Cause: The Town's software is contributing to monthly cash reconciliation discrepancies.

Recommendation: Management should require that cash reconciliations be balanced to the general ledger control accounts on a monthly basis.

Name of Contact Person: David Odom

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

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Town of Taylorsville

“The Brushy Mountain Gateway”

67 Main Avenue Drive

Taylorsville, North Carolina 28681

828.632.2218 (Phone) • 828.632.7964 (Fax)

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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Material Weakness

Finding 2019-001 External auditor prepared financial statements

Name of Contact Person: David Odom, Town Manager

Corrective action: Management is aware of the weakness but will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Proposed Completion Date: The Board will implement the above procedure immediately.

Material Weakness

Finding 2019-002 Significant audit adjustments

Name of Contact Person: David Odom, Town Manager

Corrective Action: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function. We are currently in discussions with our software provider “Harris” regarding the items required to install an automated electronic purchase order system.

Proposed Completion Date: The Board will implement the above procedure immediately.

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Material Weakness

Finding 2019-003 Segregation of Duties

Name of Contact Person: David Odom, Town Manager

Corrective Action: The Town has entered into a contract agreement with the Western Piedmont Council of Governments for financial technical assistance and review throughout the entire budget year. This agreement seeks to have credentialed contract assistants to provide expertise that we simply can't hire on a full time basis.

Proposed Completion Date: The Board will implement the above procedure immediately.

Material Weakness

Finding 2019-004 Bank Reconciliations Balancing to General Ledger

Name of Contact Person: David Odom, Town Manager

Corrective Action: We have submitted a formal request to Harris, our software provider, to perform needed upgrades to our accounting platform. There is an issue that causes utility billing receipts to post incorrectly to the specific fund. We are aware of the situation as is our software provider.

Proposed Completion Date: The Board will implement the above procedure immediately.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Material Weakness

Finding: 2018-001

Status: Repeated as Finding 2019-001. The Town continues to exercise due care during review of the financial statements.

Material Weakness

Finding: 2018-002

Status: Repeated as Finding 2019-002. Management continues to exercise due care in performing an oversight function to minimize year-end adjustments.

Material Weakness

Finding: 2018-003

Status: Corrected.

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