

**TOWN OF TAYLORSVILLE
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020**

Mayor: George Holleman

Town Council: Kenny Poole
Ronnie Robinette
Jack Simms
Kimberly Brown

Town Manager: David Odom

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Taylorsville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Taylorsville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Taylorsville, North Carolina, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Retiree Insurance Allowance Plan Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Taylorsville's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021 on our consideration of the Town of Taylorsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Taylorsville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Taylorsville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 8, 2021

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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, 2020. 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

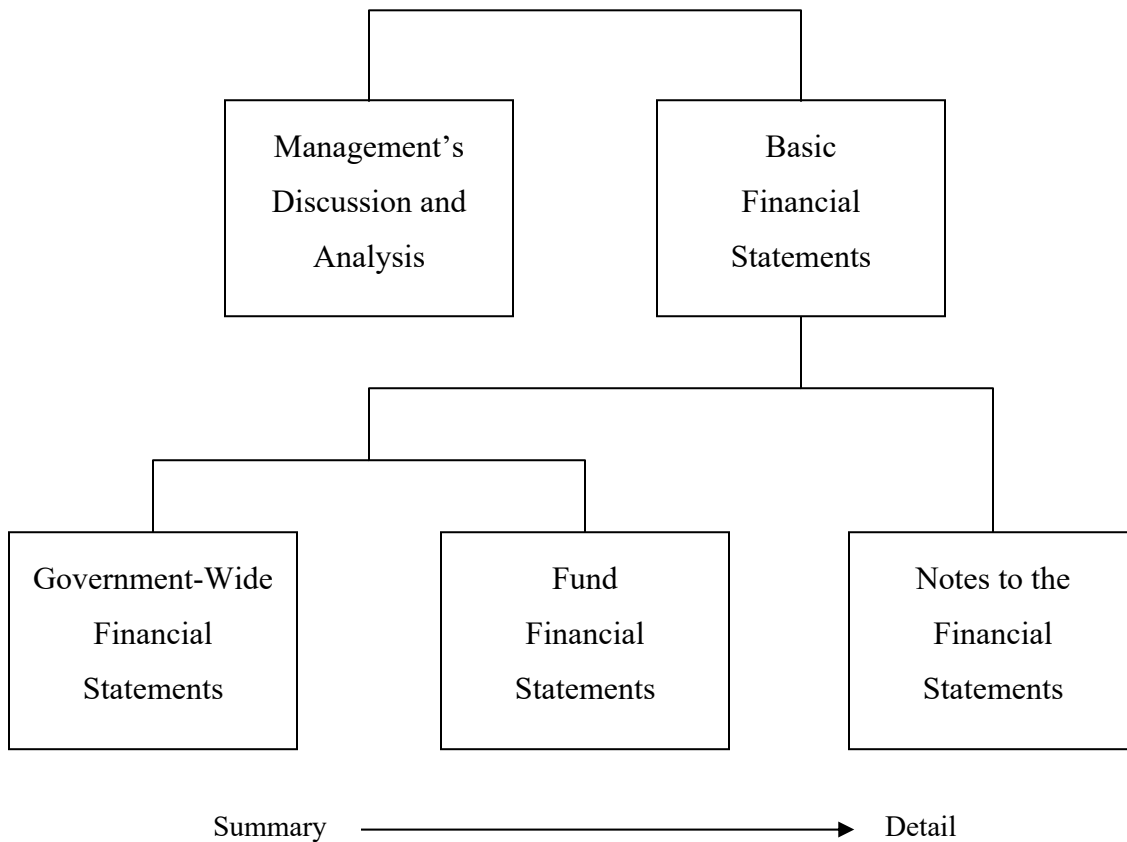
- The assets and deferred outflows of resources of the Town of Taylorsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,155,949 (*net position*).
- The government's total net position decreased by \$133,568, primarily due to decreases in revenues related to business-type activities, and expenditures for business-type activities being a higher percentage of revenues in the current year compared to the prior year (approximately 109.23% in the current fiscal year and 92.19% in the prior fiscal year).
- As of the close of the current fiscal year, the Town of Taylorsville's governmental fund reported an ending fund balance of \$1,253,568, an increase of \$306,991, in comparison with the prior fiscal year balance of \$946,577. Approximately 32.39% of this total amount, or \$406,092, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$847,476, or 42.33%, of total General Fund expenditures for the fiscal year.
- The Town of Taylorsville's total debt increased by \$77,585 (1.24%) 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	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 1,310,071	\$ 1,034,639	\$ 2,760,721	\$ 2,723,928	\$ 4,070,792	\$ 3,758,567
Capital assets, net	1,520,635	1,597,444	13,835,801	14,144,402	15,356,436	15,741,846
Total assets	<u>2,830,706</u>	<u>2,632,083</u>	<u>16,596,522</u>	<u>16,868,330</u>	<u>19,427,228</u>	<u>19,500,413</u>
Total deferred outflows	<u>290,188</u>	<u>292,797</u>	<u>125,305</u>	<u>151,064</u>	<u>415,493</u>	<u>443,861</u>
Liabilities:						
Current liabilities	59,403	65,047	457,030	68,937	516,433	133,984
Other liabilities	<u>1,736,945</u>	<u>1,617,627</u>	<u>4,209,361</u>	<u>4,661,562</u>	<u>5,946,306</u>	<u>6,279,189</u>
Total liabilities	<u>1,796,348</u>	<u>1,682,674</u>	<u>4,666,391</u>	<u>4,730,499</u>	<u>6,462,739</u>	<u>6,413,173</u>
Total deferred inflows	<u>161,885</u>	<u>177,511</u>	<u>62,148</u>	<u>64,073</u>	<u>224,033</u>	<u>241,584</u>
Net Position:						
Net investments in						
capital assets	1,520,635	1,568,238	10,012,813	10,213,579	11,533,448	11,781,817
Restricted	406,092	177,358	-	-	406,092	177,358
Unrestricted	<u>(764,066)</u>	<u>(680,901)</u>	<u>1,980,475</u>	<u>2,011,243</u>	<u>1,216,409</u>	<u>1,330,342</u>
Total net position	<u>\$ 1,162,661</u>	<u>\$ 1,064,695</u>	<u>\$ 11,993,288</u>	<u>\$ 12,224,822</u>	<u>\$ 13,155,949</u>	<u>\$ 13,289,517</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 \$13,155,949 as of June 30, 2020. The Town's net position decreased by \$133,568 for the fiscal year ended June 30, 2020. The largest portion of net assets (87.67%) 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, 2020 was \$406,092 (3.09% of total Net Position). The remaining balance of \$1,216,409 (9.25% of total Net Position) is unrestricted.

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

Positive influences:

- Improvement in revenues related to local option sales tax.
- Conservative revenue estimates in major revenue areas.
- Decreases in expenses related to operations of water and sewer services.
- Long-term liabilities related to direct borrowing and direct placement notes payable decreased in the current fiscal year, in comparison to the prior fiscal year.

Negative influences:

- Decreases in charges for services, for Water and Sewer revenues.
- Increases in long-term liabilities related to pensions (LGMERS, LEOSA, and the RIAP).

Town of Taylorsville's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 374,505	\$ 360,240	\$ 2,405,282	\$ 2,716,175	\$ 2,779,787	\$ 3,076,415
Operating grants and contributions	224,167	62,564	-	-	224,167	62,564
Capital grants and contributions	-	-	103,349	372,849	103,349	372,849
General revenues:						
Property taxes	753,620	754,396	-	-	753,620	754,396
Local option sales tax	483,105	460,028	-	-	483,105	460,028
Unrestricted intergovernmental revenues	464,981	457,756	-	-	464,981	457,756
Investment earnings, unrestricted	2,495	2,418	1,136	826	3,631	3,244
Total revenues	<u>2,302,873</u>	<u>2,097,402</u>	<u>2,509,767</u>	<u>3,089,850</u>	<u>4,812,640</u>	<u>5,187,252</u>
Expenses:						
General government	331,475	264,480	-	-	331,475	264,480
Public safety	1,364,997	1,207,193	-	-	1,364,997	1,207,193
Streets and public works	469,307	415,630	-	-	469,307	415,630
Cultural and recreation	33,763	28,943	-	-	33,763	28,943
Environmental protection	-	1,060	-	-	-	1,060
Other operations	5,270	19,178	-	-	5,270	19,178
Interest on long-term debt	95	3,705	-	-	95	3,705
Water and sewer	-	-	2,741,301	2,848,465	2,741,301	2,848,465
Total expenses	<u>2,204,907</u>	<u>1,940,189</u>	<u>2,741,301</u>	<u>2,848,465</u>	<u>4,946,208</u>	<u>4,788,654</u>
Change in net position	97,966	157,213	(231,534)	241,385	(133,568)	398,598
Net Position:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 1,162,661</u>	<u>\$ 1,064,695</u>	<u>\$ 11,993,288</u>	<u>\$ 12,224,822</u>	<u>\$ 13,155,949</u>	<u>\$ 13,289,517</u>

Governmental Activities. Governmental activities increased the Town of Taylorsville's net position by \$97,966. 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. No purchases of capital assets for governmental activities occurred in the current fiscal year.
- Town received an allocation of the CARES Act, as required by state law, from Alexander County that was not received in the previous fiscal year. This was approximately \$165,776 and represents entire allotment for the Town.
- Local option sales tax revenues increased by \$23,077 as it related to governmental activities.

Business-Type Activities. Business-type activities decreased the Town of Taylorsville's net position by \$231,534. Key elements of this decrease are as follows:

- Decreased receipt of additional grant funds for major improvements at waste water treatment plant and collections system.
- Revenues decreased related to the Town's water and sewer services by \$310,893 due to less consumption in the current fiscal year compared to the prior fiscal year.
- Expenses, though decreasing by \$107,164, represent a higher percentage of revenues. In the current year expenses for business-type activities was approximately 109.23% of business-type revenues, while in the previous year they were only approximately 92.19% of business-type revenues. This is an increase of approximately 18.48%.

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 and the only active governmental fund in the current fiscal year. At the end of the current fiscal year, fund balance available for appropriation was \$934,536, while total fund balance was \$1,253,568. 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 46.68% of total General Fund expenditures and transfers out, while total fund balance represents 62.61% of total General Fund expenditures and transfers out.

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 \$13,451, which is .74% more than originally budgeted. Amendments were necessary due to conservatism used in compiling the original budget.

Proprietary Funds. The Town of Taylorsville's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year totaled \$1,980,475. The total decrease in net position for the Water and Sewer Fund was \$231,534. 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, 2020 total \$15,356,436 (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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 539,015	\$ 539,015	\$ 89,266	\$ 89,266	\$ 628,281	\$ 628,281
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	-	-	17,782,323	17,732,830	17,782,323	17,732,830
Vehicles and equipment	1,040,699	1,040,699	567,867	567,867	1,608,566	1,608,566
Water capacity	-	-	750,000	750,000	750,000	750,000
Construction in progress	-	-	3,641,525	3,380,024	3,641,525	3,380,024
Total	3,140,611	3,140,611	22,970,006	22,659,012	26,110,617	25,799,623
Accumulated depreciation and amortization	1,619,976	1,543,167	9,134,205	8,514,610	10,754,181	10,057,777
Capital assets, net	<u>\$ 1,520,635</u>	<u>\$ 1,597,444</u>	<u>\$ 13,835,801</u>	<u>\$ 14,144,402</u>	<u>\$ 15,356,436</u>	<u>\$ 15,741,846</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, 2020, the Town of Taylorsville had total notes payable outstanding of \$3,822,988, 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net pension liability (LGERS)	\$ 280,466	\$ 236,392	\$ 151,020	\$ 127,288	\$ 431,486	\$ 363,680
Total pension liability (LEOSSA)	338,789	255,094	-	-	338,789	255,094
Total Pension liability (RIAP)	1,098,006	1,065,000	585,364	567,591	1,683,370	1,632,591
Accrued vacation pay	39,369	31,935	40,774	35,860	80,143	67,795
Direct borrowing and direct placement notes payable	-	29,206	3,822,988	3,930,825	3,822,988	3,960,031
Total	<u>\$ 1,756,630</u>	<u>\$ 1,617,627</u>	<u>\$ 4,600,146</u>	<u>\$ 4,661,564</u>	<u>\$ 6,356,776</u>	<u>\$ 6,279,191</u>

The Town of Taylorsville's total debt increased by \$77,585 (1.24%) during the past fiscal year.

This increase is primarily due to the increases in pension liabilities (LGERS, LEOSSA, and the RIAP), not for notes payable resulting from direct borrowings and direct placements. Payments made on notes payable decreased debt for governmental activities by \$29,206, and business-type activities \$342,879. While increases for notes payable, for business-type activities was \$235,042, related to debt for water and sewer capital projects, with no increases being present for governmental activities. The only other decreases for long-term liabilities were related to accrued vacation, \$38,610 for governmental activities and \$22,330 for business-type activities, while accrued vacation has increases of \$46,044 for governmental activities and \$27,244 for business-type activities. Pension related long-term liabilities (LGERS, LEOSSA, and the RIAP) had only increases, in total, for governmental activities of \$160,775 and business-type activities of \$41,505.

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 \$15,086,000.

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. Decreased capacity for business establishments, within town borders, due to COVID-19 increased cases statewide.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. The General Fund is budgeted to have \$1,945,675 in revenues in fiscal year 2020-2021. The Town estimates that there will be improvements related to sales tax revenues, as have been over the course of the last four years, and ABC revenues, but still estimate that a 1.7% decrease will occur due to COVID-19 and the economic fallout from multiple executive orders, by the Governor of North Carolina, designed to protect citizens while creating revenue dips absorbed completely at the local level. No General Fund balance has been appropriated to balance for the fiscal year 2020-2021 budget, due to fund balance restoration continuing.

Due to revenues being expected to decrease in the General Fund, expenditures have been budgeted to do so as well, by 1.7%. Expenditures are expected to increase for the town council, administration, buildings, and the cemetery. Neutral change in budgeted expenditures are expected for the Police Department and contributions to outside agencies & operations (Taylorsville Fire Department 1). A decrease in expenditures is expected for streets & sanitation, parks & recreation and miscellaneous governmental expenditures (planning board, board of adjustment, planning services provided by a proposed new agreement with Alexander County Planning Department, contracts with the Western Piedmont Council of Governments, and tax collection/zoning services contracted by Alexander County). Expenditures related to personnel are still expected to be the highest expense of the Town.

Business-Type Activities. Overall, water and sewer revenues are budgeted to increase by 3.6%, compared to fiscal year 2019-2020, due to increased usage of water and sewer services (3.1% increase budgeted) and capital fixed sewer charges (6.1% increase budgeted). Expenditures for the water and sewer fund are expected to increase, as well, by 3.6%, with the largest increase being related to capital outlay expenditures (36.1% increase budgeted). The Town does not believe COVID-19 will have a significant disturbance on water and sewer revenues. 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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BASIC FINANCIAL STATEMENTS

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TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 887,194	\$ 2,251,185	\$ 3,138,379
Taxes receivable, net	16,785	-	16,785
Accounts receivable, net	-	381,338	381,338
Other receivables	25,734	150	25,884
Notes receivable, current	-	4,231	4,231
Due from other governments	293,298	60,469	353,767
Cash, restricted	87,060	4,108	91,168
Total current assets	1,310,071	2,701,481	4,011,552
Non-current assets:			
Capital assets:			
Land and construction in progress	539,015	3,641,525	4,180,540
Other capital assets, net	981,620	10,194,276	11,175,896
Total capital assets	1,520,635	13,835,801	15,356,436
Notes receivable	-	59,240	59,240
Total non-current assets	1,520,635	13,895,041	15,415,676
Total assets	2,830,706	16,596,522	19,427,228
Deferred Outflows of Resources:			
Pension deferrals	290,188	125,305	415,493
Total deferred outflows	290,188	125,305	415,493
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	39,718	62,137	101,855
Liabilities to be paid from restricted assets:			
Utility deposits	-	4,108	4,108
Compensated absences, current	19,685	20,387	40,072
Notes payable, current	-	370,398	370,398
Total current liabilities	59,403	457,030	516,433
Long-term liabilities:			
Net pension liability - LGERS	280,466	151,020	431,486
Total pension liability - LEOSSA	338,789	-	338,789
Total pension liability - RIAP	1,098,006	585,364	1,683,370
Compensated absences, non-current	19,684	20,387	40,071
Notes payable, non-current	-	3,452,590	3,452,590
Total long-term liabilities	1,736,945	4,209,361	5,946,306
Total liabilities	1,796,348	4,666,391	6,462,739
Deferred Inflows of Resources:			
Pension deferrals	161,885	62,148	224,033
Net Position:			
Net investment in capital assets	1,520,635	10,012,813	11,533,448
Restricted for:			
Stabilization by state statute	319,032	-	319,032
Restricted, streets	87,060	-	87,060
Unrestricted	(764,066)	1,980,475	1,216,409
Total net position	\$ 1,162,661	\$ 11,993,288	\$ 13,155,949

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, 2020**

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 331,475	\$ 251,598	\$ -	\$ -
Public safety	1,364,997	99,607	165,891	-
Street and public works	469,307	-	58,276	-
Other operations	5,270	23,300	-	-
Cultural and recreation	33,763	-	-	-
Interest on long-term debt	95	-	-	-
Total governmental activities	<u>2,204,907</u>	<u>374,505</u>	<u>224,167</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>2,741,301</u>	<u>2,405,282</u>	<u>-</u>	<u>103,349</u>
Total primary government	<u>\$ 4,946,208</u>	<u>\$ 2,779,787</u>	<u>\$ 224,167</u>	<u>\$ 103,349</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, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ 79,877	\$ -	\$ 79,877
Public safety	1,099,499	-	1,099,499
Street and public works	411,031	-	411,031
Other operations	(18,030)	-	(18,030)
Cultural and recreation	33,763	-	33,763
Interest on long-term debt	95	-	95
Total governmental activities	<u>1,606,235</u>	<u>-</u>	<u>1,606,235</u>
Business-Type Activities:			
Water and sewer	<u>-</u>	<u>232,670</u>	<u>232,670</u>
Total primary government	<u>1,606,235</u>	<u>232,670</u>	<u>1,838,905</u>
General Revenues:			
Ad valorem taxes	753,620	-	753,620
Local option sales tax	483,105	-	483,105
Unrestricted intergovernmental revenues	464,981	-	464,981
Investment earnings, unrestricted	<u>2,495</u>	<u>1,136</u>	<u>3,631</u>
Total general revenues	<u>1,704,201</u>	<u>1,136</u>	<u>1,705,337</u>
Change in net position	97,966	(231,534)	(133,568)
Net Position:			
Beginning of year - July 1	<u>1,064,695</u>	<u>12,224,822</u>	<u>13,289,517</u>
End of year - June 30	<u>\$ 1,162,661</u>	<u>\$ 11,993,288</u>	<u>\$ 13,155,949</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:		
Cash and investments	\$ 887,194	\$ 887,194
Taxes receivable, net	16,785	16,785
Due from other governments	293,298	293,298
Other receivables	25,734	25,734
Cash, restricted	87,060	87,060
Total assets	<u>\$ 1,310,071</u>	<u>\$ 1,310,071</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 39,718</u>	<u>\$ 39,718</u>
Deferred Inflows of Resources:		
Property taxes receivable	<u>16,785</u>	<u>16,785</u>
Fund Balances:		
Restricted:		
Stabilization by state statute	319,032	319,032
Restricted, streets	87,060	87,060
Unassigned	847,476	847,476
Total fund balances	<u>1,253,568</u>	<u>1,253,568</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,310,071</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Net pension liability - LGERS		(280,466)
Total pension liability - LEOSSA		(338,789)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,520,635
Deferred outflows of resources related to pensions are not reported in the funds.		231,786
Long-term liabilities, compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(39,369)
Liabilities for earned revenues are considered deferred inflows of resources in fund statements.		16,785
Total pension liability - RIAP		(1,098,006)
Deferred outflows of resources related to total pension liability - RIAP are not reported in the funds.		58,402
Deferred inflows of resources related to total pension liability - RIAP are not reported in the funds.		(112,614)
Pension related deferrals		<u>(49,271)</u>
Net position of governmental activities		<u>\$ 1,162,661</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, 2020

	<u>Major Fund</u>
	<u>General</u>
	<u>Fund</u>
Revenues:	
Ad valorem taxes	\$ 759,850
Other taxes and licenses	483,105
Unrestricted intergovernmental revenues	464,981
Restricted intergovernmental revenues	224,167
Sales and services	23,300
Investment earnings	2,495
Miscellaneous	351,205
Total revenues	<u>2,309,103</u>
Expenditures:	
Current:	
General government	284,942
Public safety	1,208,825
Street and public works	443,957
Other operations	5,270
Cultural and recreational	29,817
Debt service:	
Principal	29,206
Interest	95
Total expenditures	<u>2,002,112</u>
Net change in fund balances	306,991
Fund Balances:	
Beginning of year - July 1	<u>946,577</u>
End of year - June 30	<u>\$ 1,253,568</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, 2020

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)	\$ 306,991
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.	(6,230)
Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement. Compensated absences	(7,434)
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.	(26,414)
Change in deferred outflows - pension	(17,338)
Change in deferred inflows - pension	4,411
Change in net pension liability - LGERS	(44,074)
Pension plan - RIAP plan expense	(64,343)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(76,809)
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>29,206</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 97,966</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 731,800	\$ 731,800	\$ 759,850	\$ 28,050
Other taxes and licenses	336,000	336,000	483,105	147,105
Unrestricted intergovernmental revenues	377,100	377,100	464,981	87,881
Restricted intergovernmental revenues	61,850	61,850	224,167	162,317
Sales and services	19,500	19,500	23,300	3,800
Investment earnings	800	800	2,495	1,695
Miscellaneous	302,800	316,251	351,205	34,954
Total revenues	<u>1,829,850</u>	<u>1,843,301</u>	<u>2,309,103</u>	<u>465,802</u>
Expenditures:				
Current:				
General government	289,172	310,236	284,942	25,294
Public safety	1,085,148	1,209,149	1,208,825	324
Street and public works	362,300	444,650	443,957	693
Other operations	7,700	6,817	5,270	1,547
Cultural and recreational	30,100	32,300	29,817	2,483
Capital outlay	21,000	4,219	-	4,219
Debt service:				
Principal	32,800	32,800	29,206	3,594
Interest	1,630	1,630	95	1,535
Total expenditures	<u>1,829,850</u>	<u>2,041,801</u>	<u>2,002,112</u>	<u>39,689</u>
Revenues over (under) expenditures	-	(198,500)	306,991	505,491
Other Financing Sources (Uses):				
Appropriated fund balance	<u>-</u>	<u>198,500</u>	<u>-</u>	<u>(198,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	306,991	<u>\$ 306,991</u>
Fund Balance:				
Beginning of year - July 1			<u>946,577</u>	
End of year - June 30			<u>\$ 1,253,568</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, 2020

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 2,251,185
Accounts receivable, net	381,338
Other receivables	150
Notes receivable, current	4,231
Due from other governments	60,469
Restricted cash and cash equivalents	<u>4,108</u>
Total current assets	<u>2,701,481</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	3,641,525
Other capital assets, net	<u>10,194,276</u>
Total capital assets	13,835,801
Notes receivable	<u>59,240</u>
Total non-current assets	<u>13,895,041</u>
Total assets	<u>16,596,522</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>125,305</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	62,137
Liabilities to be paid from restricted assets:	
Utility deposits	4,108
Compensated absences, current	20,387
Notes payable, current	<u>370,398</u>
Total current liabilities	<u>457,030</u>
Non-current liabilities:	
Net pension liability - LGERS	151,020
Compensated absences, non-current	20,387
Notes payable, non-current	3,452,590
Total pension liability - RIAP	<u>585,364</u>
Total non-current liabilities	<u>4,209,361</u>
Total liabilities	<u>4,666,391</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>62,148</u>
Net Position:	
Net investment in capital assets	10,012,813
Unrestricted	<u>1,980,475</u>
Total net position	<u>\$ 11,993,288</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, 2020

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 2,381,124
Other operating revenues	24,158
Total operating revenues	<u>2,405,282</u>
Operating Expenses:	
Operations	2,104,517
Depreciation	619,595
Total operating expenses	<u>2,724,112</u>
Operating income (loss)	<u>(318,830)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	1,136
Restricted intergovernmental revenues	103,349
Interest expense	(17,189)
Total non-operating revenues (expenses)	<u>87,296</u>
Change in net position	(231,534)
Net Position:	
Beginning of year - July 1	<u>12,224,822</u>
End of year - June 30	<u><u>\$ 11,993,288</u></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, 2020

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,357,282
Other operating cash receipts	24,158
Cash paid for goods and services	(1,693,196)
Cash paid to employees	(342,274)
Net cash provided (used) by operating activities	<u>345,970</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(310,994)
Proceeds from long-term debt	235,042
Principal paid on long-term debt	(342,879)
Interest paid on debt	(17,189)
Capital contributions	366,559
Net cash provided (used) by capital and related financing activities	<u>(69,461)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>1,136</u>
Increase (decrease) in cash and cash equivalents	277,645
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>1,977,648</u>
End of year - June 30	<u><u>\$ 2,255,293</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (318,830)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	619,595
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(26,587)
(Increase) decrease in deferred pension outflows	25,759
Increase (decrease) in net pension liability	23,732
Increase (decrease) in deferred inflows - pension	(1,925)
(Increase) decrease in notes receivable	4,231
Increase (decrease) in accounts payable and accrued expenses	(1,206)
Increase (decrease) in customer deposits	(1,486)
Increase (decrease) in total pension liability - RIAP	17,773
Increase (decrease) in compensated absences	4,914
Net cash provided (used) by operating activities	<u><u>\$ 345,970</u></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, 2020

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, 2020

The Town reports the following major governmental fund:

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

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.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all Enterprise Capital Project Funds. The 2015 Wastewater Treatment Plant Improvements Project, Sewer Collection System Rehabilitation Project, Linney Mountain Area Water Project, 2019

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Restricted Assets

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

Town of Taylorsville Restricted Cash			
Governmental Activities:			
General Fund	Streets	\$	87,060
Business-Type Activities:			
Water and Sewer Fund	Utility deposits		<u>4,108</u>
Total restricted cash		\$	<u><u>91,168</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, 2019.

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.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

Assets	Estimated Useful Lives
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:

Assets	Estimated Useful Lives
Water capacity	30 years

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by state statute [G.S. 159-8(a)], which prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for is what is known as "Restricted by State Statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which restriction is "imposed by the law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Taylorsville's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove the limitation.

Assigned Fund Balance

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 1,253,568
Less:	
Stabilization by state statute	<u>319,032</u>
Total available fund balance	<u><u>\$ 934,536</u></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, 2020

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, 2020, the Town's deposits had a carrying amount of \$3,216,881 and a bank balance of \$3,247,652. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$2,747,652 was covered by collateral held under the Pooling Method. All of the bank balance was covered by federal depository insurance.

Investments

At June 30, 2020, the Town had the following investments and maturities:

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

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2020 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Other Receivables</u>	<u>Total</u>
Governmental Activities:					
General	\$ -	\$ 43,785	\$ 293,298	\$ 25,734	\$ 362,817
Allowance for doubtful accounts	-	(27,000)	-	-	(27,000)
Total governmental activities	<u>\$ -</u>	<u>\$ 16,785</u>	<u>\$ 293,298</u>	<u>\$ 25,734</u>	<u>\$ 335,817</u>
Business-Type Activities:					
Water and sewer	\$ 631,912	\$ -	\$ 60,469	\$ 150	\$ 692,531
Allowance for doubtful accounts	(250,574)	-	-	-	(250,574)
Total business-type activities	<u>\$ 381,338</u>	<u>\$ -</u>	<u>\$ 60,469</u>	<u>\$ 150</u>	<u>\$ 441,957</u>

Due from other governments consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Sales tax refund	\$ 15,000	\$ 35,074
Local option sales tax	112,522	-
CARES Act funding - Due from County	165,776	-
NCDENR grants	-	25,395
Total	<u>\$ 293,298</u>	<u>\$ 60,469</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 539,015	\$ -	\$ -	\$ 539,015
 Depreciable Assets:				
Building and improvements	1,100,843	-	-	1,100,843
Infrastructure	460,054	-	-	460,054
Equipment	442,321	-	-	442,321
Vehicles	598,378	-	-	598,378
Total depreciable assets	<u>2,601,596</u>	<u>-</u>	<u>-</u>	<u>2,601,596</u>
 Less Accumulated Depreciation:				
Building and improvements	548,550	28,845	-	577,395
Infrastructure	53,998	10,224	-	64,222
Equipment	418,037	9,240	-	427,277
Vehicles	522,582	28,500	-	551,082
Total accumulated depreciation	<u>1,543,167</u>	<u>\$ 76,809</u>	<u>\$ -</u>	<u>1,619,976</u>
Governmental activities				
capital assets, net	<u>\$ 1,597,444</u>			<u>\$ 1,520,635</u>

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

Governmental Activities:	
General government	\$ 31,288
Public safety	34,425
Public works	7,149
Cultural and recreational	<u>3,947</u>
Total	<u>\$ 76,809</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Proprietary Capital Assets

The capital assets of the Proprietary Fund of the Town at June 30, 2020 were as follows:

By Asset Type:	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Non-Depreciable Assets:				
Construction in progress	\$ 3,198,215	\$ 261,501	\$ -	\$ 3,459,716
Land	181,809	-	-	181,809
Total non-depreciable assets	<u>3,380,024</u>	<u>261,501</u>	<u>-</u>	<u>3,641,525</u>
Depreciable and Amortizable Assets:				
Land improvements	89,266	-	-	89,266
Water and sewer pumps and lines	17,732,830	49,493	-	17,782,323
Building	139,025	-	-	139,025
Vehicles	145,274	-	-	145,274
Equipment	422,593	-	-	422,593
Water capacity	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Total depreciable and amortizable assets	<u>19,278,988</u>	<u>49,493</u>	<u>-</u>	<u>19,328,481</u>
Less Accumulated Depreciation and Amortization:				
Land and improvements	64,586	1,379	-	65,965
Water and sewer pumps and lines	7,664,693	562,824	-	8,227,517
Building	69,930	7,463	-	77,393
Vehicles	131,773	4,132	-	135,905
Equipment	269,045	18,797	-	287,842
Water capacity	<u>314,583</u>	<u>25,000</u>	<u>-</u>	<u>339,583</u>
Total accumulated depreciation and amortization	<u>8,514,610</u>	<u>\$ 619,595</u>	<u>\$ -</u>	<u>9,134,205</u>
Business-type activities capital assets, net	<u>\$ 14,144,402</u>			<u>\$ 13,835,801</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 1,520,635	\$ 13,835,801
Long-term debt	-	(3,822,988)
Net investment in capital assets	<u>\$ 1,520,635</u>	<u>\$ 10,012,813</u>

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 32,114</u>	<u>\$ 7,604</u>	<u>\$ 39,718</u>
Business-Type Activities:			
Water and sewer	<u>\$ 60,343</u>	<u>\$ 1,794</u>	<u>\$ 62,137</u>

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, 2020

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, 2020 was 9.70% of compensation for law enforcement officers and 8.95% 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 \$103,367 for the year ended June 30, 2020.

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, 2020

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

At June 30, 2020, the Town reported a liability of \$431,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.01580%, which was an increase of 0.00047% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$191,062. At June 30, 2020, 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	\$ 73,881	\$ -
Changes of assumptions	70,325	-
Net difference between projected and actual earnings on pension plan investments	10,525	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,065	4,315
Town contributions subsequent to the measurement date	103,367	-
Total	<u>\$ 268,163</u>	<u>\$ 4,315</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The \$103,367 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, 2021. 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
2021	\$ 76,580
2022	25,976
2023	44,793
2024	13,132
2025	-
Total	<u>\$ 160,481</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 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, 2020

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, 2019 are summarized in the following table:

Asset Class	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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 986,887	\$ 431,486	\$ (30,165)

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, 2018, the Separation Allowance's membership consisted of:

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
	3.50 to 7.35 percent, including inflation and
Salary increase	productivity factor
Discount rate	3.26 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, 2020

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, 2020.

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

At June 30, 2020, the Town reported a total pension liability of \$338,789. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$26,769.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,966	\$ 36,858
Changes of assumptions and other inputs	18,514	9,608
Total	<u>\$ 57,480</u>	<u>\$ 46,466</u>

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
2021	\$ (302)
2022	(302)
2023	85
2024	968
2025	7,676
Thereafter	<u>2,889</u>
Total	<u>\$ 11,014</u>

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, 2020

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 368,819	\$ 338,789	\$ 311,473

Schedule of Changes in Total Pension Liability

<u>Law Enforcement Officers' Special Separation Allowance</u>	
Beginning balance	\$ 255,094
Service cost	17,431
Interest	9,285
Difference between expected and actual experience	46,290
Changes of assumptions and other inputs	10,689
Net change in total pension liability	83,695
Ending balance of total pension liability	\$ 338,789

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, 2018 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, 2020

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 \$29,083. 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.

Years of Service at Retirement	Minimum Age	Pre-65	Post-65
		Contribution Percentage	Contribution Percentage
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, 2020

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

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

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

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

Retirees receiving benefits	2
Active plan members	<u>23</u>
Total	<u><u>25</u></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, 2020

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 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	3.26 percent
Medical trend rates	Pre-Medicare - 7.00% Post-Medicare - 5.00%
Ultimate trend date	2027

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2018.

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, 2020

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 \$8,697 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, 2020, the Town reported a total pension liability of \$1,683,370. The total pension liability was measured as of December 31, 2019 based on a December 31, 2019 actuarial valuation. For the year ended June 30, 2020, the Town recognized pension expense of \$111,708.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 54,524
Changes of assumptions and other inputs	85,490	118,728
Benefit payments and administrative expenses subsequent to the measurement date	<u>4,360</u>	<u>-</u>
Total	<u>\$ 89,850</u>	<u>\$ 173,252</u>

\$4,360 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, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ (6,345)
2022	(21,970)
2023	(30,798)
2024	(6,482)
2025	(6,482)
Thereafter	<u>(15,685)</u>
Total	<u>\$ (87,762)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 2,061,401	\$ 1,683,370	\$ 1,394,956

Schedule of Changes in Total Pension Liability Retirement Insurance Allowance Plan

	Total RIAP Liability
Balance at June 30, 2019	\$ 1,632,591
Changes for the year:	
Service cost	54,785
Interest	59,268
Difference between expected and actual experience	(57,591)
Changes of assumptions and other inputs	3,014
Benefit payments	(8,697)
Net change in total pension liability	50,779
Balance at June 30, 2020	\$ 1,683,370

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 26,769	\$191,062	\$111,708	\$329,539
Pension liability	338,789	431,486	1,683,370	2,453,645
Proportionate share of the net position liability	n/a	0.01580%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 38,966	\$ 73,881	\$ -	\$112,847
Changes of assumptions	18,514	70,325	85,490	174,329
Net difference between projected and actual earnings on pension plan investments	-	10,525	-	10,525
Changes in proportion and differences between contributions and proportionate share of contributions	-	10,065	-	10,065
Benefit payments and administrative costs paid subsequent to the measurement date	-	103,367	4,360	107,727
Total deferred outflows of resources	<u>\$ 57,480</u>	<u>\$268,163</u>	<u>\$ 89,850</u>	<u>\$415,493</u>

Deferred Inflows of Resources:

Difference between expected and actual experience	\$ 36,858	\$ -	\$ 54,524	\$ 91,382
Changes of assumptions	9,608	-	118,728	128,336
Changes in proportion and differences between contributions and proportionate share of contributions	-	4,315	-	4,315
Total deferred inflows of resources	<u>\$ 46,466</u>	<u>\$ 4,315</u>	<u>\$173,252</u>	<u>\$224,033</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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>
Governmental Activities:	
LEOSSA	\$ 57,480
LGERS	174,306
RIAP	<u>58,402</u>
Total governmental activities	<u><u>\$ 290,188</u></u>
Business-Type Activities:	
LGERS	\$ 93,857
RIAP	<u>31,448</u>
Total business-type activities	<u><u>\$ 125,305</u></u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Governmental Activities:		
Taxes Receivable (net)	\$ -	\$ 16,785
LEOSSA	46,466	-
LGERS	2,805	-
RIAP	<u>112,614</u>	<u>-</u>
Total governmental activities	<u><u>\$ 161,885</u></u>	<u><u>\$ 16,785</u></u>
Business-Type Activities:		
LGERS	\$ 1,510	\$ -
RIAP	<u>60,638</u>	<u>-</u>
Total business-type activities	<u><u>\$ 62,148</u></u>	<u><u>\$ -</u></u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

The Town's direct placement and direct borrowing obligations payable at June 30, 2020 are comprised of the following:

Notes Payable

Business-Type Activities:

\$1,196,868 payable to Energy United issued June 2007, interest at 2.30% payable in annual installments of \$79,304, including interest, beginning June 2007, with a final payment due in fiscal year 2027, secured by water interconnect and rights to water capacity	\$ 451,119
\$74,558 payable to NCDENR issued February 2020, interest at -0-% payable Federal Revolving Loan in annual installments of \$25,248, beginning May 2021, with a final payment due in fiscal year 2024, secured by asset being constructed with proceeds from the loan.	74,558
\$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	252,475
\$101,467 payable to NCDENR issued September 2009, interest at -0-% Federal Revolving Loan, beginning May 2011, payable in annual installments of \$5,100, with a final payment due in fiscal year 2030	50,719
\$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	224,037
\$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	230,802
\$1,497,738 payable to NCDENR issued June 2017, interest at -0-% Federal Revolving Loan, beginning May 2019, due in annual installments of \$149,774, with a final payment due in fiscal year 2029	1,347,964
\$435,726 payable to NCDENR issued June 2016, interest at -0-% Federal Revolving Loan, beginning May 2019, due in annual installments of \$24,293, with a final payment due in fiscal year 2040	482,153

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$71,394 payable to NCDENR issued June 2019, interest at -0-%
Federal Revolving Loan, beginning May 2020, due in annual installments
of \$3,564, with a final payment due in fiscal year 2040 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 637,767

Total \$ 3,822,988

The Town's outstanding note from direct borrowing related to business-type activities of \$451,119 are secured with the equipment. The Town's outstanding note from direct borrowing related to business-type activities of \$451,119 contain provisions that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the Town's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorneys' fees and other expenses.

All other remaining Town debt for business-type activities, other than the note payable for \$451,119, is similar in nature and represents notes payable from direct borrowings related to business-type activities and are secured with the equipment. The Town's outstanding notes from direct borrowings related to business-type activities contain provisions that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the Town's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorneys' fees and other expenses.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 370,398	\$ 14,350	\$ 384,748
2022	371,904	12,505	384,409
2023	373,439	10,642	384,081
2024	357,502	8,723	366,225
2025	354,153	6,759	360,912
2026-2030	1,377,239	12,803	1,390,042
2031-2035	480,542	2,068	482,610
2036-2040	137,811	-	137,811
Total notes payable	<u>\$ 3,822,988</u>	<u>\$ 67,850</u>	<u>\$ 3,890,838</u>

A summary of long-term debt is as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
Governmental Activities:					
Direct placement notes payable	\$ 29,206	\$ -	\$ 29,206	\$ -	\$ -
Net pension liability - LGERS	236,392	44,074	-	280,466	-
Total pension liability - LEOSSA	255,094	83,695	-	338,789	-
Accrued vacation pay	31,935	46,044	38,610	39,369	19,685
Total pension liability - RIAP	1,065,000	33,006	-	1,098,006	-
Total	<u>\$ 1,617,627</u>	<u>\$ 206,819</u>	<u>\$ 67,816</u>	<u>\$ 1,756,630</u>	<u>\$ 19,685</u>
Business-Type Activities:					
Direct borrowing notes payable	\$ 3,930,825	\$ 235,042	\$ 342,879	\$ 3,822,988	\$ 370,398
Net pension liability - LGERS	127,288	23,732	-	151,020	-
Accrued vacation pay	35,860	27,244	22,330	40,774	20,387
Total pension liability - RIAP	567,591	17,773	-	585,364	-
Total	<u>\$ 4,661,564</u>	<u>\$ 303,791</u>	<u>\$ 365,209</u>	<u>\$ 4,600,146</u>	<u>\$ 390,785</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, 2020, the Town had a legal debt margin of approximately \$15,086,000.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3. Jointly Governed Organization

The Town, in conjunction with four counties and twenty-three other municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$3,496 for membership fees, \$4,532 for miscellaneous services, and \$10,229 for administrative services to the Council during the fiscal year ended June 30, 2020.

4. Summary Disclosures of Significant Contingencies

A. Construction Commitments

The government has several active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
2015 Wastewater Treatment Plant Improvement Project	\$ 2,041,711	\$ 70,126
Sewer Collection System Rehabilitation Project	1,056,303	1,135
Linney Mountain Area Water Project	43,823	252,577
2019 Waste Water Treatment Plant Improvement Project	154,630	294,638
Waste Water Treatment Plant Renewable Energy Project	163,249	96,907
Total	<u>\$ 3,459,716</u>	<u>\$ 715,383</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.

5. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact Town revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND

FINANCIAL STATEMENTS

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TOWN OF TAYLORSVILLE, NORTH CAROLINA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS *

Local Government Employees' Retirement System							
	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0158%	0.0153%	0.0148%	0.0157%	0.0171%	0.0172%	0.0173%
Town's proportion of the net pension liability (asset) (\$)	\$ 431,486	\$ 363,680	\$ 226,103	\$ 332,994	\$ 76,654	\$ (101,377)	\$ 208,531
Town's covered payroll*	\$ 1,047,647	\$ 1,016,940	\$ 944,364	\$ 863,885	\$ 662,272	\$ 635,929	\$ 833,693
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.19%	35.76%	23.94%	38.55%	11.57%	(15.94%)	25.01%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	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 SEVEN FISCAL YEARS

Local Government Employees' Retirement System							
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 103,367	\$ 85,168	\$ 79,937	\$ 72,018	\$ 59,647	\$ 64,565	\$ 64,118
Contributions in relation to the contractually required contribution	<u>103,367</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 1,106,860	\$ 1,047,647	\$ 1,016,940	\$ 944,364	\$ 863,885	\$ 662,272	\$ 635,929
Contributions as a percentage of covered payroll	9.34%	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 FOUR FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Beginning balance	\$ 255,094	\$ 279,924	\$ 259,545	\$ 243,187
Service cost	17,431	14,871	12,814	14,779
Interest on the total pension liability	9,285	8,846	10,018	8,682
Changes in assumptions or other inputs	10,689	(10,039)	17,718	(7,103)
Difference between expected and actual experience	46,290	(38,508)	(20,171)	-
Ending balance of the total pension liability	<u>\$ 338,789</u>	<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 FOUR FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Total pension liability	\$ 338,789	\$ 255,094	\$ 279,924	\$ 259,545
Covered payroll	578,404	475,714	470,877	545,106
Total pension liability as a percentage of covered payroll	58.57%	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 FOUR FISCAL YEARS**

Retiree Insurance Allowance Plan				
	2020	2019	2018	2017
Beginning balance	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373	\$ 1,358,866
Service cost	54,785	61,552	49,771	52,356
Interest on the total pension liability	59,268	53,145	52,766	48,361
Difference between expected and actual experience	(57,591)	-	(10,550)	-
Changes in assumptions or other inputs	3,014	(159,466)	231,640	(79,792)
Benefit payments	(8,697)	(8,866)	(8,774)	(8,418)
Ending balance of the total pension liability	<u>\$ 1,683,370</u>	<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 FOUR FISCAL YEARS

	Retiree Insurance Allowance Plan			
	2020	2019	2018	2017
Total pension liability	\$ 1,683,370	\$ 1,632,591	\$ 1,686,226	\$ 1,371,373
Covered payroll	990,652	997,909	997,909	770,234
Total pension liability as a percentage of covered payroll	169.93%	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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 726,800	\$ 754,781	\$ 27,981	\$ 750,232
Penalties and interest	5,000	5,069	69	4,512
Total ad valorem taxes	731,800	759,850	28,050	754,744
Other Taxes and Licenses:				
Local option sales tax	336,000	483,105	147,105	460,028
Total other taxes and licenses	336,000	483,105	147,105	460,028
Unrestricted Intergovernmental Revenues:				
Franchise tax	95,000	132,661	37,661	138,343
Telecommunications tax	53,000	50,781	(2,219)	46,225
Beer and wine tax	10,600	9,166	(1,434)	9,272
Sales tax refund	17,500	34,429	16,929	41,906
Gasoline tax refunds	3,000	2,298	(702)	2,428
ABC profit distribution	21,000	42,696	21,696	30,000
Hold harmless	177,000	191,325	14,325	188,063
Solid waste disposal tax	-	1,625	1,625	1,519
Total unrestricted intergovernmental revenues	377,100	464,981	87,881	457,756
Restricted Intergovernmental Revenues:				
State and federal grants	-	165,776	165,776	-
Powell Bill allocation	61,850	58,276	(3,574)	59,109
Other	-	115	115	3,455
Total restricted intergovernmental revenues	61,850	224,167	162,317	62,564
Sales and Services:				
Cemetery plots	10,000	11,100	1,100	5,000
Cemetery - other income	9,500	12,200	2,700	13,350
Total sales and services	19,500	23,300	3,800	18,350
Investment Earnings	800	2,495	1,695	2,418

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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Parking violation penalties	250	-	(250)	-
Building rent	43,200	47,500	4,300	41,500
Resource officer reimbursement	94,000	99,607	5,607	101,123
Cable franchise revenue	31,000	32,413	1,413	33,529
Insurance reimbursement	13,451	10,206	(3,245)	831
Other	134,350	161,479	27,129	164,907
Total miscellaneous	<u>316,251</u>	<u>351,205</u>	<u>34,954</u>	<u>341,890</u>
 Total revenues	 <u>1,843,301</u>	 <u>2,309,103</u>	 <u>465,802</u>	 <u>2,097,750</u>
 Expenditures:				
General Government:				
Town Council	52,260	51,605	655	52,939
Administration	332,213	320,972	11,241	303,580
Utility service fee from Enterprise Fund	(150,000)	(150,000)	-	(150,000)
Contingency	1,160	-	1,160	-
Public buildings	74,603	62,365	12,238	28,295
Total general government	<u>310,236</u>	<u>284,942</u>	<u>25,294</u>	<u>234,814</u>
 Public Safety:				
Police department	1,098,199	1,099,156	(957)	991,570
Fire department	74,900	75,900	(1,000)	60,000
Alexander County Rescue and EMS	3,500	3,500	-	3,500
Other	32,550	30,269	2,281	25,785
Total public safety	<u>1,209,149</u>	<u>1,208,825</u>	<u>324</u>	<u>1,080,855</u>
 Street and Public Works:				
Streets and sanitation	<u>444,650</u>	<u>443,957</u>	<u>693</u>	<u>396,111</u>
 Other Operations:				
Cemetery	<u>6,817</u>	<u>5,270</u>	<u>1,547</u>	<u>9,178</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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Cultural and Recreational:				
Recreation	32,300	29,817	2,483	23,993
Total cultural and recreational	32,300	29,817	2,483	23,993
Capital Outlay:				
General government	500	-	500	18
Police	3,719	-	3,719	25,000
Street and public works	-	-	-	5,000
Cemetery	-	-	-	10,000
Total capital outlay	4,219	-	4,219	40,018
Debt Service:				
Principal	32,800	29,206	3,594	63,420
Interest	1,630	95	1,535	3,705
Total debt service	34,430	29,301	5,129	67,125
Total expenditures	2,041,801	2,002,112	39,689	1,852,094
Revenues over (under) expenditures	(198,500)	306,991	505,491	245,656
Other Financing Sources (Uses):				
Transfer to other funds	-	-	-	(25,654)
Appropriated fund balance	198,500	-	(198,500)	-
Total other financing sources (uses)	198,500	-	(198,500)	(25,654)
Net change in fund balance	\$ -	306,991	\$ 306,991	220,002
Fund Balance:				
Beginning of year - July 1		946,577		726,575
End of year - June 30		\$ 1,253,568		\$ 946,577

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Charges for services:				
Water and sewer	\$ 2,025,406	\$ 2,200,915	\$ 175,509	\$ 2,293,004
Capital reserve	154,100	151,083	(3,017)	149,468
Penalties and interest	24,400	20,486	(3,914)	27,338
Water and sewer taps	5,000	6,015	1,015	2,000
Reconnection fees	4,000	2,625	(1,375)	2,860
Other operating revenues	15,996	28,389	12,393	245,736
Total operating revenues	<u>2,228,902</u>	<u>2,409,513</u>	<u>180,611</u>	<u>2,720,406</u>
Non-Operating Revenues:				
Investment earnings	500	1,136	636	826
Energy United contribution	-	-	-	19,614
Total non-operating revenues	<u>500</u>	<u>1,136</u>	<u>636</u>	<u>20,440</u>
Total revenues	<u>2,229,402</u>	<u>2,410,649</u>	<u>181,247</u>	<u>2,740,846</u>
Expenditures:				
Operations	1,886,549	1,884,264	2,285	2,010,259
Utility service fee to General Fund	150,000	150,000	-	150,000
Debt service:				
Principal repayments	374,910	342,879	32,031	273,093
Interest expense	17,191	17,191	-	20,833
Capital outlay	49,493	49,493	-	6,000
Total expenditures	<u>2,478,143</u>	<u>2,443,827</u>	<u>34,316</u>	<u>2,460,185</u>
Revenues over (under) expenditures	<u>(248,741)</u>	<u>(33,178)</u>	<u>215,563</u>	<u>280,661</u>
Other Financing Sources (Uses):				
Transfers from Water and Sewer Capital Project Fund	-	-	-	114,867
Transfers (to) Water and Sewer Capital Project Fund	-	-	-	(100,071)
Appropriated fund balance	248,741	-	(248,741)	-
Total other financing sources (uses)	<u>248,741</u>	<u>-</u>	<u>(248,741)</u>	<u>14,796</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (33,178)</u>	<u>\$ (33,178)</u>	<u>\$ 295,457</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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2020</u>			<u>2019</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		\$ (33,178)		\$ 295,457
Capital contributions from water/sewer capital projects		103,349		353,235
Capital outlay		49,493		6,000
Principal repayments		342,879		273,093
Intrafund transfers		-		(14,796)
Decrease in note receivable		(4,231)		(4,231)
Increase (decrease) in deferred outflows of resources - LGERS		(9,334)		40,140
(Increase) decrease in net pension liability - LGERS		(23,732)		(48,152)
(Increase) decrease in deferred inflows of resources - LGERS		2,375		3,725
(Increase) decrease in accrued vacation		(4,914)		700
Increase (decrease) in deferred outflows of resources - RIAP		(16,423)		(17,005)
(Increase) decrease in deferred inflows of resources - RIAP		(450)		(38,640)
(Increase) decrease in RIAP total pension liability		(17,773)		18,772
Depreciation		<u>(619,595)</u>		<u>(626,913)</u>
Change in net position		<u>\$ (231,534)</u>		<u>\$ 241,385</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, 2020

		Actual			
	Project Authorization	Prior Year	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental Revenues:					
Appalachian Regional Commission Grant	\$ 450,000	\$ 450,000	-	\$ 450,000	\$ -
Expenditures:					
Construction	1,871,881	1,779,835	21,920	1,801,755	70,126
Engineering	127,133	127,133	-	127,133	-
Administration and legal	112,823	112,823	-	112,823	-
Total expenditures	2,111,837	2,019,791	21,920	2,041,711	70,126
Revenues over (under) expenditures	(1,661,837)	(1,569,791)	(21,920)	(1,591,711)	70,126
Other Financing Sources (Uses):					
Long-term debt issued	1,500,000	1,425,000	72,738	1,497,738	(2,262)
Transfer from Water/Sewer Fund	161,837	-	-	-	(161,837)
Total other financing sources (uses)	1,661,837	1,425,000	72,738	1,497,738	(164,099)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (144,791)	\$ 50,818	\$ (93,973)	\$ (93,973)

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, 2020

		Actual			
	Project Authorization	Prior Year	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 500,000	\$ 447,981	\$ 52,019	\$ 500,000	\$ -
Expenditures:					
Construction	859,874	859,874	-	859,874	-
Engineering	130,237	130,237	-	130,237	-
Administration and legal	67,327	66,192	-	66,192	1,135
Total expenditures	1,057,438	1,056,303	-	1,056,303	1,135
Revenues over (under) expenditures	(557,438)	(608,322)	52,019	(556,303)	1,135
Other Financing Sources (Uses):					
Long-term debt issued	535,726	447,980	87,746	535,726	-
Transfer from Water/Sewer Fund	21,712	-	-	-	(21,712)
Total other financing sources (uses)	557,438	447,980	87,746	535,726	(21,712)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (160,342)	\$ 139,765	\$ (20,577)	\$ (20,577)

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, 2020

		Actual			
	Project Authorization	Prior Year	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 74,100	\$ -	\$ 10,956	\$ 10,956	\$ (63,144)
Expenditures:					
Construction and engineering	273,249	26,000	11,037	37,037	236,212
Administration and legal	12,058	928	5,858	6,786	5,272
Contingency	11,093	-	-	-	11,093
Total expenditures	296,400	26,928	16,895	43,823	252,577
Revenues over (under) expenditures	(222,300)	(26,928)	(5,939)	(32,867)	189,433
Other Financing Sources (Uses):					
Long-term debt issued	222,300	-	-	-	(222,300)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (26,928)	\$ (5,939)	\$ (32,867)	\$ (32,867)

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, 2020

		Actual			
	Project Authorization	Prior Year	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF grant	\$ 374,710	\$ 288,605	\$ 40,374	\$ 328,979	\$ (45,731)
Expenditures:					
Construction					
Construction and engineering	410,530	17,848	125,318	143,166	267,364
Administration and legal	20,011	973	10,491	11,464	8,547
Contingency	18,727	-	-	-	18,727
Total expenditures	449,268	18,821	135,809	154,630	294,638
Revenues over (under) expenditures	(74,558)	269,784	(95,435)	174,349	248,907
Other Financing Sources (Uses):					
Long-term debt issued	74,558	-	74,558	74,558	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 269,784	\$ (20,877)	\$ 248,907	\$ 248,907

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, 2020**

		Actual			
	Project Authorization	Prior Year	Current Year	Total to Date	Variance Over/Under
Expenditures:					
Construction and engineering	\$ 180,880	\$ 29,692	\$ 86,877	\$ 116,569	\$ 64,311
Administration and legal	70,232	46,680	-	46,680	23,552
Contingency	9,044	-	-	-	9,044
Total expenditures	<u>260,156</u>	<u>76,372</u>	<u>86,877</u>	<u>163,249</u>	<u>96,907</u>
Other Financing Sources (Uses):					
Long-term debt issued	255,054	71,394	-	71,394	(183,660)
Transfer from General Fund	5,102	-	-	-	(5,102)
Total other financing sources (uses)	<u>260,156</u>	<u>71,394</u>	<u>-</u>	<u>71,394</u>	<u>(188,762)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (4,978)</u>	<u>\$ (86,877)</u>	<u>\$ (91,855)</u>	<u>\$ (91,855)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE****JUNE 30, 2020**

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 754,304	\$ 740,527	\$ 13,777
2018-2019	13,723	-	6,161	7,562
2017-2018	14,552	-	8,602	5,950
2016-2017	5,006	-	567	4,439
2015-2016	4,031	-	644	3,387
2014-2015	3,036	-	309	2,727
2013-2014	2,160	1,226	680	2,706
2012-2013	1,781	-	6	1,775
2011-2012	1,833	-	371	1,462
2010-2011	893	-	893	-
Total	<u>\$ 47,015</u>	<u>\$ 755,530</u>	<u>\$ 758,760</u>	43,785
Less: allowance for uncollectible accounts				<u>27,000</u>
Ad valorem taxes receivable, net				<u>\$ 16,785</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 759,850
Reconciling items:				
Amounts written off per Statute of Limitations				893
Penalties and interest				(5,069)
Miscellaneous adjustments				<u>3,086</u>
Total collections and credits				<u>\$ 758,760</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax	\$ 230,437,000	\$ 0.40	\$ 921,748	\$ 876,073	\$ 45,675
Utilities	9,170,000	0.40	36,680	36,680	-
Total original levy	<u>239,607,000</u>		<u>958,428</u>	<u>912,753</u>	<u>45,675</u>
Discoveries:					
Current year levy	1,052,500		4,210	4,210	-
Penalties	<u>141,250</u>		<u>565</u>	<u>565</u>	<u>-</u>
Total discoveries	<u>1,193,750</u>		<u>4,775</u>	<u>4,775</u>	<u>-</u>
Releases:					
Current year levy	1,302,250		5,209	5,209	-
Senior citizens exemption refund	<u>50,922,500</u>		<u>203,690</u>	<u>203,690</u>	<u>-</u>
Total abatements	<u>52,224,750</u>		<u>208,899</u>	<u>208,899</u>	<u>-</u>
Total property valuation	<u>\$ 188,576,000</u>				
Net Levy			754,304	708,629	45,675
Uncollected taxes at June 30, 2020			<u>13,777</u>	<u>13,777</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 740,527</u>	<u>\$ 694,852</u>	<u>\$ 45,675</u>
Current Levy Collection Percentage			<u>98.17%</u>	<u>98.06%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Taylorsville, North Carolina, as of and for the year ended June 30, 2020, 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 January 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Taylorsville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Taylorsville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for 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 2020-001 and 2020-002, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Corrective Action Plan. 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
January 8, 2021

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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

Material Weakness

Finding 2020-001

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.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2019-003.

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, 2020

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

Material Weakness

Finding 2020-002

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 throughout the year but did not balance to the general ledger. Year-end reconciliation initially did not balance to the general ledger, but did balance after an outside contractor was brought in to reconcile the cash balance to the general ledger.

Effect: Errors can occur in financial reporting.

Cause: The Town's software is contributing to monthly cash reconciliation discrepancies, and the Town does not have the personnel to investigate discrepancies in depth.

Identification of a Repeat Finding: This is a repeat finding that has been modified in the current fiscal year, from the immediate previous audit, 2019-004.

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

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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Findings

Material Weakness

Finding 2020-001 Segregation of Duties

Name of Contact Person: David Odom, Town Manager

Corrective Action: The Town has entered into a contract agreement with Greg Isley 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 2020-002 Bank Reconciliations Balancing to General Ledger

Name of Contact Person: David Odom, Town Manager

Corrective Action: The Town has entered into a contract agreement with an outside contractor 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

Material Weakness

Finding: 2019-001

Status: Corrected

Material Weakness

Finding: 2019-002

Status: Corrected

Material Weakness

Finding: 2019-003

Status: Repeated as finding 2020-001.

Material Weakness

Finding: 2019-004

Status: Modified and repeated as finding 2020-002.